



# Iran: U.S. Concerns and Policy Responses

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## Summary

President Obama has said his Administration shares the goals of previous Administrations to contain Iran's strategic capabilities and regional influence. The Administration has not changed the previous Administration's characterization of Iran as a "profound threat to U.S. national security interests," a perception generated not only by Iran's nuclear program but also by its military assistance to armed groups in Iraq and Afghanistan, to the Palestinian group Hamas, and to Lebanese Hezbollah. The Obama Administration formulated approaches to achieve those goals that differ from those of its predecessor by expanding direct diplomatic engagement with Iran's government and by downplaying discussion of potential U.S. military action against Iranian nuclear facilities. However, the domestic unrest in Iran that has burgeoned since alleged fraud in Iran's June 12, 2009, presidential election has presented the Administration with a choice of whether to continue to engage Iran's government or to back the growing ranks of the Iranian opposition.

Although Administration statements in December 2009 were more supportive of the student-led protests than previously, the Administration remained open to negotiating a nuclear deal with Iran along the lines of an October 1, 2009, multilateral agreement with Iran. Under that framework, Russia and France would reprocess some of Iran's low-enriched uranium for medical use. However, Iran has not, to date, agreed to the stipulated technical details of such a reprocessing program, casting doubts on Iran's commitment to the tentative deal and sparking renewed discussions of new U.N. sanctions, particularly those that would target members and companies of Iran's Revolutionary Guard Corps. The Guard is the main element used by the regime to crack down against the protesters.

Any additional U.N. Security Council sanctions would build on those put in place since 2006. These sanctions generally are targeted against WMD-related trade with Iran, but also ban Iran from transferring arms outside Iran and restrict dealings with some Iranian banks. Separate U.S. efforts to persuade European governments to curb trade with, investment in, and credits for Iran, and to convince foreign banks not to do business with Iran, are intended to compound the U.N. pressure. Some in Congress believe that additional unilateral U.S. sanctions that try to curb sales to Iran of gasoline could help pressure Iran into a nuclear settlement. Others believe that sanctioning Iran's ability to monitor the Internet—or clearer statements of U.S. support for the demonstrators—would help the domestic opposition materially change or even topple the regime. Others believe that new U.S. unilateral or U.N. measures would cause Iran to resist compromise, fracture the U.S.-led coalition that is trying to curb Iran's program, or hurt the cause of the opposition. For further information, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman; CRS Report R40849, *Iran: Regional Perspectives and U.S. Policy*, coordinated by Casey L. Addis; and CRS Report RL34544, *Iran's Nuclear Program: Status*, by Paul K. Kerr.

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Much of the debate over U.S. policy toward Iran has centered on the nature of the current regime; some believe that Iran, a country of about 70 million people, is a threat to U.S. interests because hardliners in Iran's regime dominate and set a policy direction intended to challenge U.S. influence and allies in the region. President George W. Bush, in his January 29, 2002, State of the Union message, labeled Iran part of an "axis of evil" along with Iraq and North Korea.

## Political History

The United States was an ally of the late Shah of Iran, Mohammad Reza Pahlavi ("the Shah"), who ruled from 1941 until his ouster in February 1979. The Shah assumed the throne when Britain and Russia forced his father, Reza Shah Pahlavi (Reza Shah), from power because of his perceived alignment with Germany in World War II. Reza Shah had assumed power in 1921 when, as an officer in Iran's only military force, the Cossack Brigade (reflecting Russian influence in Iran in the early 20<sup>th</sup> century), he launched a coup against the government of the Qajar Dynasty. Reza Shah was proclaimed Shah in 1925, founding the Pahlavi dynasty. The Qajars had been in decline for many years before Reza Shah's takeover. That dynasty's perceived manipulation by Britain and Russia had been one of the causes of the 1906 constitutionalist movement, which forced the Qajars to form Iran's first Majles (parliament) in August 1906 and promulgate a constitution in December 1906. Prior to the Qajars, what is now Iran was the center of several Persian empires and dynasties, but whose reach shrunk steadily over time. Since the 16<sup>th</sup> century, Iranian empires lost control of Bahrain (1521), Baghdad (1638), the Caucasus (1828), western Afghanistan (1857), Baluchistan (1872), and what is now Turkmenistan (1894). Iran adopted Shi'ite Islam under the Safavid Dynasty (1500-1722), which brought Iran out from a series of Turkic and Mongol conquests.

The Shah was anti-Communist, and the United States viewed his government as a bulwark against the expansion of Soviet influence in the Persian Gulf and a counterweight to pro-Soviet Arab regimes and movements. Israel maintained a representative office in Iran during the Shah's time and the Shah supported a peaceful resolution of the Arab-Israeli dispute. In 1951, under pressure from nationalists in the Majles (parliament) who gained strength in the 1949 Majles elections, he appointed a popular nationalist parliamentarian, Dr. Mohammad Mossadeq, as Prime Minister. Mossadeq was widely considered left-leaning, and the United States was wary of his policies, which included his drive for nationalization of the oil industry. Mossadeq's followers began an uprising in August 1953 when the Shah tried to dismiss Mossadeq, and the Shah fled. The Shah was restored in a successful CIA-supported uprising against Mossadeq.

The Shah tried to modernize Iran and orient it toward the West, but in so doing he also sought to marginalize Iran's Shi'ite clergy. He exiled Ayatollah Ruhollah Khomeini in 1964 because of Khomeini's active opposition, which was based on the Shah's anti-clerical policies and what Khomeini alleged was the Shah's forfeiture of Iran's sovereignty to the United States. Khomeini fled to and taught in Najaf, Iraq, a major Shi'ite theological center that contains the Shrine of Imam Ali, Shi'ism's foremost figure. There, he was a peer of senior Iraqi Shi'ite clerics and, with them, advocated direct clerical rule or *velayat-e-faqih* (rule by a supreme Islamic jurisprudent). In 1978, three years after the March 6, 1975, Algiers Accords between the Shah and Iraq's Baathist leaders, which settled territorial disputes and required each party to stop assisting each other's oppositionists, Iraq expelled Khomeini to France, from which he stoked the Islamic revolution. Mass demonstrations and guerrilla activity by pro-Khomeini forces, allied with a broad array of anti-Shah activists, caused the Shah's government to collapse in February 1979. Khomeini

returned from France and, on February 11, 1979, declared an Islamic Republic of Iran, as enshrined in the constitution that was adopted in a public referendum in December 1979 (and amended in 1989). Khomeini was strongly anti-West and particularly anti-U.S., and relations between the United States and the Islamic Republic turned hostile even before the November 4, 1979, seizure of the U.S. Embassy by pro-Khomeini radicals.

## Regime Structure, Stability, and Opposition

About a decade after founding the Islamic republic, Ayatollah Ruhollah Khomeini died on June 3, 1989. Iran's regime has always been considered authoritarian, but with a degree of popular input and checks and balances among power centers. The regime Khomeini established—enshrined in an Islamic republican constitution adopted in October 1979 and amended in a national referendum of April 1989—consists of some elected and some appointed positions. National elections under the Islamic republic have always been held, and on time, even during the eight-year Iran-Iraq war, although there are limitations on who is allowed to run.

Until the serious popular and intra-regime unrest that followed the June 12, 2009, presidential election, the regime had appeared relatively stable and faced only low-level and episodic unrest from minorities, intellectuals, students, labor groups, and women. Since the elections, the regime has struggled to contain the unrest, which some believe is evolving into a revolutionary movement that will be satisfied only with the outright replacement of the regime with a secular democracy. An increasing number of Iran experts believe this opposition movement—calling itself “The Green Path of Hope”—will eventually lead to a toppling or major alteration of the current regime.

## The Supreme Leader, His Powers, and Other Ruling Councils

Upon Khomeini's death, one of his disciples, Ayatollah Ali Khamene'i, was selected Supreme Leader by an elected 86-seat “*Assembly of Experts*.”<sup>1</sup> Although he has never had Khomeini's undisputed authority, Khamene'i has vast formal powers as Supreme Leader that have helped him maintain his grip on power. Amid reports Khamene'i believes that major concessions to the opposition will lead to regime demise, the protest movement is nonetheless increasingly bold in denouncing him and in defying his authority. Some of his peers have criticized his handling of the protest movement, while experts say he is now almost completely dependent on regime security forces, most notably the Islamic Revolutionary Guard Corps (IRGC).

Formally, the Supreme Leader is Commander in Chief of the armed forces, giving him the power to appoint commanders and to be represented on the highest national security body, the Supreme National Security Council, composed of top military and civilian security officials. He appoints half of the 12-member *Council of Guardians*;<sup>2</sup> and the head of Iran's judiciary (currently Ayatollah Sadeq Larijani). Headed by Ayatollah Ahmad Jannati, the conservative-controlled Council of Guardians reviews legislation to ensure it conforms to Islamic law, and it screens election candidates and certifies elections results. The Supreme Leader also has the power, under

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<sup>1</sup> The Assembly also has the power to amend Iran's constitution.

<sup>2</sup> The Council of Guardians consists of six Islamic jurists and six secular lawyers. The six Islamic jurists are appointed by the Supreme Leader. The six lawyers on the Council are selected by the judiciary but confirmed by the Majles.



the constitution, to remove the elected President if either the judiciary or the elected *Majles* (parliament) say the President should be removed, with cause. The Supreme Leader appoints members of the 42-member *Expediency Council*, set up in 1988 to resolve legislative disagreements between the *Majles* and the Council of Guardians but its powers were expanded in 2006 to include oversight of the executive branch (cabinet) performance. Expediency Council members serve five-year terms. The Council, appointed most recently in February 2007, is still headed by Rafsanjani; its executive officer is former Revolutionary Guard commander-in-chief Mohsen Reza'i.

The *Assembly of Experts* is empowered to oversee the work of the Supreme Leader and replace him if necessary, as well as to amend the constitution. The Assembly serves a six-year term; the fourth election for that Assembly was held on December 15, 2006. After that election, Akbar Hashemi-Rafsanjani, still a major figure having served two terms as president himself (1989-1997), was named deputy leader of the Assembly. After the death of the leader of the Assembly, Rafsanjani was selected its head in September 2007, outpointing a harder line competitor, Ayatollah Ahmad Jannati. (See **Figure 1** for a chart of the Iranian regime.)

**Table 1. Major Factions and Personalities**

<b>Conservatives</b>	
Supreme Leader Ali Khamene'i	Born in July 1939 to an Azeri (Turkic) family from Mashhad. Lost the use of his right arm in an assassination attempt in June 1981. Helped organize the Revolutionary Guard and other post-revolution security organs. Served as elected president during 1981-1989 and was selected Khomeini's successor in June 1989 upon the Ayatollah's death. Upon that selection, his religious ranking was advanced in the state-run press and official organs to "Ayatollah" from the lower ranking "Hojjat ol-Islam." Has all the formal powers but not the undisputed authority of his predecessor, founder of the revolutionary regime Ayatollah Ruhollah Khomeini. Like Khomeini, Khamene'i generally stays out of day-to-day governmental business but saves his prestige to resolve factional disputes or to quiet popular criticism of regime performance. Has taken more interventionist role to calm internal infighting in wake of June 2009 election dispute. Considered moderate-conservative on domestic policy but hardline on foreign policy and particularly toward Israel. Seeks to challenge U.S. hegemony and wants Israel defeated but respects U.S. military power and fears military confrontation with United States. Generally supports the business community (bazaaris), and opposes state control of the economy. Senior aides in his office include second son, Mojtaba, who is said to be acquiring increasing influence. Has made public reference to purported letters to him from President Obama that he asserts have asked for renewed U.S.-Iran relations.
Expediency Council and Assembly of Experts Chair Ali Akbar Hashemi-Rafsanjani	Long a key strategist of the regime, and longtime advocate of "grand bargain" to resolve all outstanding issues with United States, although on Iran's terms. A mid-ranking cleric, now leads both Expediency Council and Assembly of Experts, although generally perceived as waning in influence generally. Heads moderate-conservative faction known as Executives of Construction. Was <i>Majles</i> speaker during 1981-89 and President 1989-1997. One of Iran's richest men, family owns large share of Iran's total pistachio nut production. Supported Musavi in June 2009 election, purportedly financed much of his campaign, and played behind-the-scenes role trying to persuade Supreme Leader to nullify the June 2009 election. Now considered essentially an opponent of the Supreme Leader, the arrest of five Rafsanjani family members in June 2009, may have reflected Khamene'i pressure on him. Daughter Faizah has participated in several

	opposition protests.
President Mahmoud Ahmadinejad	Declared re-elected on June 12, 2009, and inaugurated August 5, but results still not accepted by his election challengers and protesters. See box on page 8.
Majles Speaker Ali Larijani	Overwhelming winner for Majles seat from Qom on March 14, 2008, and selected Majles Speaker on May 25 (237 out of 290 votes). Former state broadcasting head (1994-2004) and Minister of Culture and Islamic Guidance (1993), was head of Supreme National Security Council and chief nuclear negotiator from August 2005 until October 2007 resignation. Sought to avoid U.N. Security Council isolation. Politically close to Khamene'i but highly critical of Ahmadinejad and criticized election officials for the flawed June 12, 2009, election and subsequent crackdown. However, has grown increasingly threatening against protesters as the opposition has gained strength. Brother of judiciary head.
Tehran Mayor Mohammad Baqer Qalibaf	Former Revolutionary Guard Air Force commander and police chief, but a moderate-conservative and ally of Larijani. Encourages comparisons of himself to Reza Shah, invoking an era of stability and strong leadership, while also making use of modern media tools. Lost in the 2005 presidential elections, but supporters won nine out of 15 seats on Tehran city council in December 2006 elections, propelling him to current post as mayor of Tehran. Recruited moderate conservatives for March 2008 Majles election.
Senior Clerics in Qom	The most senior clerics in Qom, including several Grand Ayatollahs, are generally "quietist"—they believe that the senior clergy should refrain from direct involvement in politics. These include Grand Ayatollah Nasser Makarem Shirazi, Grand Ayatollah (former judiciary chief) Abdol Karim Musavi-Ardabili, and Grand Ayatollah Yusuf Sanei, all of whom have criticized regime crackdown against opposition protests. Others believe in political involvement, including Ayatollah Mohammad Taqi Mesbah Yazdi. He is founder of the hardline Haqqani school, and spiritual mentor of Ahmadinejad. Fared poorly in December 2006 elections for Assembly of Experts. An assertive defender of the powers of the Supreme Leader and a proponent of an "Islamic state" rather than the current "Islamic republic," and advocates isolation from the West. May seek to replace Khamene'i. Another politically active senior cleric is Ayatollah Kazem Haeri, mentor of radical Iraqi cleric Moqtada Al Sadr.
Judiciary Chief/Ayatollah Sadeq Larijani	Larijani named in late August 2009 as Judiciary head, replacing Ayatollah Mahmoud Shahrudi, who had headed the Judiciary since 1999. Larijani is brother of Majles Speaker Ali Larijani; both are close to the Supreme Leader. Was appointed primarily to curb Ahmadinejad's aggressive prosecutions of reformist leaders following June 2009 election dispute. Another Larijani brother, Mohammad Javad, was deputy Foreign Minister during the 1980s.
Militant Clerics Association	Longtime organization of hardline clerics headed by Ayatollah Mohammad Mahdavi-Kani. Not to be confused with an organization with almost the same name, below. Did not back Ahmadinejad in June 12 presidential elections.

### **Opposition/"Green Path Hope"**

All of the blocs and personalities below can be considered part of the Green Path of Hope opposition/revolutionary movement. However, overall leadership of the opposition is unclear, with several components competing for pre-eminence and the ability to determine the direction of the protest movement.

Mohammad Khatemi/Mir Hossein Musavi	Khatemi—reformist president during 1997-2005 and declared he would run again for President in June 2009 elections, but withdrew when allied reformist Mir Hossein Musavi entered the race in late March 2009. Khatemi elected May 1997, with 69% of the vote; re-elected June 2001 with 77%. Rode wave of sentiment for easing social and political restrictions
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	<p>among students, intellectuals, youths, and women that seeks reform but not outright replacement of the regime, but became disillusioned with Khatemi failure to stand up to hardliners on reform issues. Now heads International Center for Dialogue Among Civilizations. Visited U.S. in September 2006 to speak at Harvard and the Washington National Cathedral on “dialogue of civilizations.” Has hewed to staunch anti-Israel line of most Iranian officials, but perceived as open to accepting a Palestinian-Israeli compromise.</p> <p>Musavi has views similar to Khatemi on political and social freedoms and on reducing Iran’s international isolation, but supports strong state intervention in the economy to benefit workers, lower classes. Khatemi supported Musavi challenge to 2009 election legitimacy. Continues to appear at some protests, sometimes intercepted or constrained by regime security agents, but may be losing ground to harder line student opposition leaders who criticize his January 2010 statements indicating regime reconciliation is possible and who want to completely replace the current system. Some Green supporters have left Iran for Europe, Asia, or the United States. Some IRGC and parliamentary hardliners continue to urge his arrest.</p>
Society of Militant Clerics/Mehdi Karrubi	<p>Reformist grouping once led by Mehdi Karrubi. Karrubi formed a separate “National Trust” faction after losing 2005 election. Ran again in 2009, but received few votes and subsequently has emerged, along with Musavi, as a symbol of the opposition.</p>
Student Opposition Leaders/Confederation of Iranian Students/Office of Consolidation of Unity (Daftar Tahkim-e- Vahdat)	<p>Staunch oppositionists and revolutionaries, many now favor replacement of the regime with secular democracy. One key bloc in this group is the Confederation of Iranian Students (CIS), led by Amir Abbas Fakhraivar, who was jailed for five years for participating in July 1999 student riots. CIS, committed to non-violent resistance, is successor of Office of Consolidation Unity, which led those riots. CIS supports international efforts to sanction the regime. At the time of those riots, the students had been strong Khatemi supporters, but turned against him for failing to challenge hardliners, particularly after July 1999 violent crackdown on student riots, in which four students were killed. Student leaders attempting—and increasingly succeeding—in gaining support of older generation, labor, clerics, and other segments to topple regime.</p>
Islamic Iran Participation Front (IIPF).	<p>The most prominent and best organized pro-reform grouping, but has lost political ground to more active and forceful student core of Green Path opposition movement. Its leaders include Khatemi’s brother, Mohammad Reza Khatemi (a deputy speaker in the 2000-2004 Majles) and Mohsen Mirdamadi. Backed Musavi in June 12 election; several IIPF leaders, including Mirdamadi, detained and prosecuted in postelection dispute.</p>
Mojahedin of the Islamic Revolution Organization (MIR)	<p>Composed mainly of left-leaning Iranian figures who support state control of the economy, but want greater political pluralism and relaxation of rules on social behavior. A major constituency of the reformist camp. Its leader is former Heavy Industries Minister Behzad Nabavi, who supported Musavi in 2009 election and was remains jailed for post-election unrest.</p>
Shirin Abadi	<p>A number of dissidents have struggled against regime repression for many years, long before the election dispute. One major longtime dissident and human rights activist is Nobel Peace Prize laureate (2003) and Iran human rights activist lawyer Shirin Abadi. Subsequent to the passage of the U.N. General Assembly resolution above, Iranian authorities raided the Tehran office of the Center for Defenders of Human Rights, which she runs. She has often represented clients persecuted or prosecuted by the regime. She left Iran for Europe, fearing arrest in connection with the postelection dispute. In December 2009, the regime confiscated her Nobel Prize award.</p>
Grand Ayatollah Hosein Ali	<p>Died December 20, 2009 of natural causes and has become a symbol of some oppositionists. Montazeri was Khomeini’s designated successor until</p>

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Montazeri	1989, when Khomeini dismissed him for allegedly protecting intellectuals and opponents of clerical rule. He was released in January 2003 from several years of house arrest, and, despite being under close watch, issued statements highly critical of the postelection crackdown.
Other Long Term Dissidents	Other leading dissidents have challenged the regime long before the presidential election. For example, journalist Akbar Ganji conducted hunger strikes to protest regime oppression; he was released on schedule on March 18, 2006, after sentencing in 2001 to six years in prison for alleging high-level involvement in 1999 murders of Iranian dissident intellectuals that the regime had blamed on “rogue” security agents. Another prominent dissident is Abdol Karim Soroush, who challenged the doctrine of clerical rule. Others in this category include former Revolutionary Guard organizer Mohsen Sazegara, former Culture Minister Ataollah Mohajerani, and Mohsen Kadivar.

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## The Presidency/Mahmoud Ahmadinejad

The President, a position held since 2005 by Mahmoud Ahmadinejad, appoints and supervises the work of the cabinet. Cabinet appointments are subject to confirmation by the Majles (parliament), and the Supreme Leader is believed to have significant input into key security cabinet appointments, including ministers of defense, interior, and intelligence. Although subordinate to the Supreme Leader, the presidency is a coveted and intensely fought-over position which provides vast opportunities for the President to empower his political base and to affect policy.

After suffering several election defeats at the hands of President Mohammad Khatemi and the reformists in the 1997 and 2001 presidential elections, hardliners successfully moved to regain the sway they held when Khomeini was alive. Conservatives won the February 20, 2004, Majles elections (which are always held one year prior to each presidential election), although the conservative win was the result of the Council of Guardians’ disqualification of 3,600 reformist candidates, including 87 Majles incumbents. That helped conservatives win 155 out of the 290 seats. The George W. Bush Administration and the Senate (S.Res. 304, adopted by unanimous consent on February 12, 2004) criticized the elections as unfair.

As the reformist faction suffered setbacks, the Council of Guardians narrowed the field of candidates for the June 2005 presidential elections to 8 out of the 1,014 persons who filed. Rafsanjani<sup>3</sup> was considered the favorite against several opponents more hardline than he is—three had ties to the Revolutionary Guard: Ali Larijani (see **Table 1**); Mohammad Baqer Qalibaf (see **Table 1**); and Tehran mayor Mahmoud Ahmadinejad. In the June 17, 2005, first round, turnout was about 63% (29.4 million votes out of 46.7 million eligible voters). With 21% and 19.5%, respectively, Rafsanjani and Ahmadinejad, who did unexpectedly well because of tacit backing from Khamene’i, moved to a runoff. Reformist candidates (Mehdi Karrubi and Mostafa Moin) fared worse than expected. Ahmadinejad won in the June 24 runoff, receiving 61.8% to Rafsanjani’s 35.7%. He first took office on August 6, 2005.

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<sup>3</sup> Rafsanjani was constitutionally permitted to run because a third term would not have been consecutive with his previous two terms. In the 2001 presidential election, the Council permitted 10 out of the 814 registered candidates.

## Ahmadinejad's Policies and Popularity

Well before the June 2009 election unrest, Ahmadinejad had been a controversial figure for his inflammatory statements. He attracted significant world criticism for an October 26, 2005, Tehran conference entitled “A World Without Zionism” by stating that “Israel should be wiped off the map.” He insisted on holding a December 2006 conference in Tehran questioning the Holocaust, a theme he has returned to several times since, including at a September 2007 speech at Columbia University. A U.N. Security Council statement and Senate and House resolutions (H.Res. 523 and S.Res. 292), passed by their respective chambers, condemned the statement. On June 21, 2007, the House passed H.Con.Res. 21, calling on the U.N. Security Council to charge Ahmadinejad with violating the 1948 Convention on the Prevention and Punishment of the Crime of Genocide; the Convention includes “direct and public incitement” to commit genocide as a punishable offense.

Even before the 2009 presidential election campaign, several Iranian leaders, and portions of the population, were expressing concern that Ahmadinejad's defiance of the international community on the nuclear issue—as well as his frequent visits and meetings with such anti-U.S. figures as Venezuela's Hugo Chavez—was isolating Iran. These perceptions contributed to a split within his conservative “Principalist” faction in the March 2008 Majles elections. Supreme Leader Khamene'i has publicly supported Ahmadinejad for refusing to bow to international demands on the nuclear issue. At other times, such as April 2009, Khamene'i has upbraided Ahmadinejad—in this case for incorporating the position of coordinator of the Hajj (major pilgrimage to Mecca) into the Tourism Ministry; the move was reversed. Khamene'i was perceived as favoring Ahmadinejad's reelection but, perhaps sensing that this outcome was not assured, he was publicly neutral in the campaign.

**Table 2. Factions in the Eighth Majles**  
(Elected March 14-April 25, 2008)

Pro-Ahmadinejad Conservatives (United Front of Principalists)	117
Anti-Ahmadinejad Conservatives (Coalition of Principalists)	53
Reformists (39 seats in seventh Majles)	46
Independents	71
Seats annulled or voided	3

On economic matters, many Iranians criticized Ahmadinejad for raising some wages and lowering interest rates for poorer borrowers, cancelling some debts of farmers, and increasing some social welfare payments. These moves fed inflation, but poorer Iranians saw Ahmadinejad as attentive to their economic plight and this support appears to have been key to his reelection. Iranian economists say that these programs began to deplete Iran's reserve fund (“Oil Stabilization Fund,” which had been as high as about \$10 billion) even when oil prices were high in mid-2008, leaving Iran now unable to cope with the fall in oil prices. Others say he has not moved to curb the dependence on oil revenues, which account for about 20% of Iran's gross domestic product (GDP). On the other hand, he has attempted to persuade the Majles to pass legislation to greatly reduce state subsidies.

Major economic sectors or markets are controlled by the quasi-statal “foundations” (*bonyads*), run by powerful former officials, and there are special trading privileges for them and the bazaar merchants, a key constituency for some conservatives. The same privileges—and more—reportedly apply to businesses run by the Revolutionary Guard, as discussed below, leading to criticism that the Guard is using its political influence to win business contracts.

Ahmadinejad has generally been opposed by affluent and educated urbanites. Even before the post June 2009 election unrest, educated, urban sentiment against him was evident in several student protests against him. The most recent of these, prior to the June 12 election, was in late February 2009, when authorities tried to rebury on Amir Kabir University of Technology grounds the bodies of some killed in the Iran-Iraq war.

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**Mahmoud Ahmadinejad**

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First non-cleric to be president of the Islamic republic since the assassination of then president Mohammad Ali Rajai in August 1981. About 56, he asserts he is a “man of the people,” the son of a blacksmith who lives in modest circumstances, who would promote the interests of the poor and return government to the original principles of the Islamic revolution. Has burnished that image as president through regular visits to poor areas and through subsidies directed at the lower classes. His official biography says he served with the “special forces” of the Revolutionary Guard, and he served subsequently (late 1980s) as a deputy provincial governor. Has been part of the “Isargaran” faction composed of former Guard and Basij (volunteer popular forces) leaders and other hardliners. U.S. intelligence reportedly determined he was not one of the holders of the 52 American hostages during November 1979-January 1981. Other accounts say Ahmadinejad believes his mission is to prepare for the return of the 12<sup>th</sup> Imam—Imam Mahdi—whose return from occultation would, according to Twelver Shiite doctrine, be accompanied by the establishment of Islam as the global religion. Earned clerical criticism in May 2008 for again invoking intervention by Imam Mahdi in present day state affairs. Regularly attends U.N. General Assembly sessions in New York each September. In an October 2006 address, Ahmadinejad said, “I have a connection with God.” Sent letter of congratulation to President-elect Barack Obama for his election victory, but has only tepidly responded to subsequent Obama Administration outreach initiatives. Following limited recount, declared winner of June 12, 2009, election. Many diplomats walked out on or did not attend Ahmadinejad’s speech before the U.N. General Assembly on September 23, 2009.

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## **June 12, 2009, Presidential Elections**

The opposition movement grew out of severe disappointment and suspicion of fraud in the June 12, 2009, presidential election. Prospects for reformists to unseat Ahmadinejad seemed to brighten in February 2009, when Khatemi—who is still highly popular among reform-minded Iranians—said that he would run. However, on March 18, 2009, Khatemi withdrew from the race in favor of another reformist, former Prime Minister Mir Hossein Musavi. Musavi was viewed as somewhat less divisive—and therefore more acceptable to the Supreme Leader—because Musavi had served as Prime Minister during the 1980-88 Iran-Iraq war. Khatemi backed Musavi enthusiastically.

A total of about 500 candidates for the June 12, 2009, presidential elections registered their names during May 5-10, 2009. The Council of Guardians decide on the final candidates on May 20—permitting only four to run: Ahmadinejad, Musavi, Mehdi Karrubi, and Mohsen Reza’i. The Interior Ministry, which runs the election, also instituted during this campaign season a series of one-on-one debates among the candidates, which were acrimonious, including Ahmadinejad’s accusations of corruption against Rafsanjani and against Musavi’s wife. If no candidate received more than 50% of the vote on June 12, there would have been a runoff one week later.



The challengers and their backgrounds and platforms were:

- **Mir Hosein Musavi.** The main reformist candidate. Non-cleric. About 67. Architect and disciple of Ayatollah Khomeini, he served as Foreign Minister (1980), then Prime Minister (1981-89), at which time he successfully managed the state rationing program during the privations of the Iran-Iraq war but often feuded with Khamene'i, who was then President. At that time, he was an advocate of state control of the economy. His post was abolished in the 1989 revision of the constitution. Later moderated his views, including the need to avoid confrontation with the international community, but publicly opposed—and continues to oppose—U.N.-demanded curbs on Iran's nuclear program. Musavi's campaign made extensive use of his high profile wife, Zahra Rahnevard, a well-known women's activist and professor.
- **Mehdi Karrubi.** Some feared he might split the reformist vote because of his attentiveness to economic policies that favor the lower classes, but official results showed him a minor factor in the voting.
- **Mohsen Reza'i.** As noted above, he was Commander in Chief of the Revolutionary Guard for almost all of the Iran-Iraq war period. About 58 years old, he is considered an anti-Ahmadinejad conservative. Reza'i dropped out just prior to the 2005 presidential election due to perceived insufficient support, and he apparently did not build substantial support since then. He attended Khamene'i's June 19, 2009, speech and later dropped his formal challenge of the election results, but he criticized elements of the government crackdown.

## **Election Dispute and Aftermath**

The outcome of the election was always difficult to foresee. Polling results were inconsistent. Musavi supporters held large rallies in Tehran, but pro-Ahmadinejad rallies were large as well. During the campaign, Khamene'i met with Musavi and, in mid-May 2009, visited Musavi's father at his home, suggesting neutrality, although the two were often at odds during the Iran-Iraq war, when Khamene'i was President and Musavi was Prime Minister. Turnout was high at about 85%; 39.1 million valid (and invalid) votes were cast. The Interior Ministry announced two hours after the polls closed that Ahmadinejad had won, although in the past results have been announced the day after. The totals were announced on Saturday, June 13, 2009, as follows:

Ahmadinejad: 24.5 million votes—62.6%

Musavi: 13.2 million votes—33.75%

Reza'i: 678,000 votes—1.73%

Invalid: 409,000 votes—1%

Karrubi: 333,600 votes—0.85%

Almost immediately after the results were announced, Musavi supporters began protesting the results on June 13, as he, Karrubi, and Reza'i, asserted outright fraud and called for a new election, citing the infeasibility of counting 40 million votes so quickly; the barring of candidate observers at many polling stations; regime shut-down of Internet and text services; and repression

of postelection protests. Khamene'i declared the results a "divine assessment," appearing to certify the results even though formal procedures require a three day complaint period. While several outside analysts say the results appeared to represent widespread fraud,<sup>4</sup> others said the announced results tracked preelection polls and reflected Ahmadinejad's perceived strong support in rural areas and among the urban poor.

Protests built throughout June 13-19, large in Tehran but also held in other cities, exposing regime divisions and posing the most significant threat to the regime's grip on power to date. Security forces used varying amounts of force to control them, causing 27 protester deaths for the period of active protests, according to official Iranian statements (with figures from opposition groups running over 100). The protesters' hopes of having Khamene'i annul the election were dashed by his major Friday prayer sermon on June 19 in which he refuted allegations of vast fraud and threatened a crackdown on further protests. Such a crackdown was evident on Saturday, June 20, with state media reporting at least 10 protesters killed that day.

Protests lessened by June 22, but continued sporadically thereafter, including on the July 9 anniversary of the suppression of the 1999 student riots; the August 5, 2009, official inauguration of Ahmadinejad; and September 18 "Jerusalem Day." The sporadic nature of the protests created the impression that the regime would gain the upper hand. However, the opposition has proved resilient, making use of Internet-based sites (Facebook, Twitter) and timing their demonstrations to official holidays when people can gather easily. The most recent demonstrations have been large and marked by resistance to the security forces as well as the spreading to smaller cities and the involvement of older generation and even religious persons. These were the hallmarks of protests on November 4, 2009, the 30<sup>th</sup> anniversary of the takeover of the U.S. embassy in Tehran, and particularly on the occasion of the Ashura Shiite holy day (December 27, 2009, which also marked the seventh day since the death of Ayatollah Montazeri, a major critic of Khamene'i). On December 27, some anti-riot police are said to have refused to beat protesters.

The regime, particularly the Supreme Leaders, at first tried to at least appear to address complaints about the election and the crackdown. On June 29, 2009, the Council of Guardians performed a televised recount of 10% of the votes of Tehran's districts and some provincial ballots and, finding no irregularities, certified the results. Musavi and Karrubi, joined by Khatemi, have continued to call the election fraudulent. In response to complaints even by hardline clerics about the amount of force used against the protests, in late July Khamene'i ordered 140 more released and a prison closed (Khazirak) where some protesters purportedly died or were beaten in custody. In December 2009, however, regime leaders and parliamentarians have increasingly threatened arrests of senior opposition leaders and even executions of protesters. Some regime officials are said to believe that the hardening of anti-opposition tactics has caused the opposition to radicalize into a revolutionary movement that will not reconcile with the regime.

## **How Shaken and Divided Is the Regime?**

Some say that the most serious effects have been the exposure and widening of cracks within the regime, the most serious internal rift in Iran since the early 1980s. The composition of the regime

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<sup>4</sup> A paper published by Chatham House and the University of St. Andrews strongly questions how Ahmadinejad's vote could have been as large as reported by official results, in light of past voting patterns throughout Iran. "Preliminary Analysis of the Voting Figures in Iran's 2009 Presidential Election." <http://www.chathamhouse.org.uk>.



has narrowed significantly—reformists and even some senior clerics have left the regime fold and are now supporting the opposition. Senior longtime regime stalwart Rafsanjani, discussed extensively above, is backing the Green movement, and he and others did not attend Ahmadinejad's inauguration. In a speech on December 6, 2009, he criticized the use of the Basij and IRGC against unarmed civilians. Larijani, Qalibaf, and several senior Ayatollahs in Qom, such as Grand Ayatollah Yusuf Sanei, Grand Ayatollah Abdol Karim Musavi Ardabili, and the Association of Researchers and Teachers of Qom Seminary, have also criticized the use of violence against the protesters. Others of the most senior clerics appeared to lean toward that position as well.

### ***U.S. and Allied Reaction***

The burgeoning unrest has complicated policy for President Obama, who has tried to balance non-interference in Iranian affairs (a sensitive issue in Iran)—and preserve the possibility of a nuclear deal with Iran—with calls for him to focus entirely on pressuring the regime. Some believe that President Obama might have missed, or is missing, an opportunity to bring the regime down by siding more decisively with the opposition movement. As the crackdown has progressed, the statements of President Obama and other U.S. officials have become progressively more critical of the regime. Some presidential statements appear to have been influenced, to some extent by House and Senate passage of resolutions on June 19 (H.Res. 560 and S.Res. 193, respectively), condemning violence against demonstrators and the government's suppression of electronic communication. Another resolution passed by the Senate that day, S.Res. 196, calling on the Iranian regime to permit free expression, free speech, and a free press. On December 23, 2009, the Senate passed S.Res. 386, condemning Iran's use of violence against the demonstrators and its use of Internet censorship and monitoring to counter the opposition. Other legislation, such as the "Voice Act" (Subtitle D of the FY2010 Defense Authorization, P.L. 111-84), contain provisions to potentially penalize companies that are selling Iran technology equipment that it can use to suppress or monitor the Internet usage of Iranians.<sup>5</sup> On December 28, 2009, President Obama continued to shift toward public support for the opposition outright by saying, in regard to the unrest in Iran, "Along with all free nations, the United States stands with those who seek their universal rights."<sup>6</sup>

Several European governments, such as France, Britain, and Germany, were even more critical of Iran's crackdown than was the United States. A joint statement of the July 8-9, 2009, G-8 summit meeting, held in Italy, deplored Iran's treatment of protesters but also renewed the call for diplomacy with Iran on the nuclear issue.

### **Exiled Opposition Groups**

Some groups have been committed to the replacement of the regime virtually since its inception, and remain mostly in exile. Their linkages to the Green Path movement are unclear, and some indications are these movements want to dominate any coalition that might topple the current regime.

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<sup>5</sup> For more discussion of such legislation, see CRS Report RS20871, *Iran Sanctions*.

<sup>6</sup> White House, Office of the Press Secretary. "Statement by the President on the Attempted Attack on Christmas Day and Recent Violence in Iran." December 28, 2009.

## **People's Mojahedin Organization of Iran (PMOI)/Camp Ashraf**

One of the best known exiled opposition groups is the People's Mojahedin Organization of Iran (PMOI).<sup>7</sup> Secular and left-leaning, it was formed in the 1960s to try to overthrow the Shah of Iran and advocated Marxism blended with Islamic tenets. It allied with pro-Khomeini forces during the Islamic revolution and supported the November 1979 takeover of the U.S. Embassy in Tehran but was later driven into exile. Even though it is an opponent of Tehran, since the late 1980s the State Department has refused contact with the PMOI and its umbrella organization, the National Council of Resistance (NCR). The State Department designated the PMOI as a foreign terrorist organization (FTO) in October 1997<sup>8</sup> and the NCR was named as an alias of the PMOI in the October 1999 re-designation. The FTO designation was prompted by PMOI attacks in Iran that sometimes kill or injure civilians—although the group does not appear to purposely target civilians. In August 14, 2003, the State Department designated the NCR offices in the United States an alias of the PMOI, and NCR and Justice Department authorities closed down those offices. The regime accuses the group of involvement in the post June 2009 presidential election violence.

The State Department report on international terrorism for 2007 asserts that the organization—and not just a radical element of the organization as the group asserts—was responsible for the alleged killing of seven American defense advisers to the former Shah in 1975-1976. The report again notes the group's promotion of women in its ranks and again emphasizes the group's "cult-like" character, including indoctrination of its members and separation of family members, including children, from its activists. The group's alliance with Saddam Hussein's regime in the 1980s and 1990s has contributed to the U.S. shunning of the organization.

Some advocate that the United States not only remove the group from the FTO list but also enter an alliance with the group against Iran. The FTO designation was up for formal review in October 2008, and, in July 2008, the PMOI formally petitioned to the State Department that its designation be revoked, on the grounds that it renounced any use of terrorism in 2001. However, the State Department announced in mid-January 2009 that the group would remain listed; the next review of the FTO list is in October 2009.

The group is trying to build on recent legal successes in Europe; on January 27, 2009, the European Union (EU) removed the group from its terrorist group list; the group had been so designated by the EU in 2002. In May 2008, a British appeals court determined that the group should no longer be considered a terrorist organization on the grounds that the British government did not provide "any reliable evidence that supported a conclusion that PMOI retained an intention to resort to terrorist activities in the future." Currently, the governments that still list the group as a "terrorist organization," include the United States, Canada, Australia. In June 2003, France arrested about 170 PMOI members, including its co-leader Maryam Rajavi (wife of PMOI founder Masoud Rajavi, whose whereabouts are unknown). She was released and remains based in France, and is occasionally received by European parliamentarians and other politicians.

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<sup>7</sup> Other names by which this group is known is the Mojahedin-e-Khalq Organization (MEK or MKO) and the National Council of Resistance (NCR).

<sup>8</sup> The designation was made under the authority of the Anti-Terrorism and Effective Death Penalty Act of 1996 (P.L. 104-132).

The issue of group members in Iraq is increasingly pressing. U.S. forces attacked PMOI military installations in Iraq during Operation Iraqi Freedom and negotiated a ceasefire with PMOI military elements in Iraq, requiring the approximately 3,400 PMOI fighters to remain confined to their Ashraf camp near the border with Iran. Its weaponry is in storage, guarded by U.S. personnel. In July 2004, the United States granted the Ashraf detainees “protected persons” status under the 4<sup>th</sup> Geneva Convention, meaning they will not be extradited to Tehran or forcibly expelled as long as U.S. forces have a mandate to help secure Iraq. Another 200 PMOI fighters have taken advantage of an arrangement between Iran and the ICRC for them to return to Iran if they disavow further PMOI activities; none are known to have been persecuted since returning.

The U.S.-led security mandate in Iraq was replaced on January 1, 2009, by a bilateral U.S.-Iraq agreement that limits U.S. flexibility in Iraq. The group fears that, now that Iraqi forces have taken control of the camp, Iraq will expel the group to Iran. The Iraqi government tried to calm those fears in January 2009 by saying that it would adhere to all international obligations not do so, but that trust was lost on July 27, 2009, when it set up a police post in the Camp, which was resisted by PMOI residents. The PMOI says about a dozen were killed in the clashes. Some observers say Iraq might move the camp to Iraq’s interior, away from the Iran border. The EU “de-listing” might help resolve the issue by causing EU governments to take in those at Ashraf. In December 2009, Iraq announced the group would be relocated to a detention center near Samawah, in southern Iraq; substantial resistance by the Ashraf residents is expected if and when Iraq attempts to implement that decision.

## **Other Armed Groups**

Some armed groups are operating in Iran’s border areas, and are generally composed of ethnic or religious minorities. One such group is *Jundullah*, composed of Sunni Muslims primarily from the Baluchistan region bordering Pakistan. Since mid-2008, it has conducted several successful attacks on Iranian security personnel, apparently including in May 2009, claiming revenge for the poor treatment of Sunnis in Iran. On October 18, 2009, it claimed responsibility for killing five Revolutionary Guard commanders during a meeting they were holding with local groups in Sistan va Baluchistan Province.

An armed Kurdish group operating out of Iraq is the Free Life Party, known by its acronym PJAK. PJAK was designated in early February 2009 as a terrorism supporting entity under Executive order 13224, although the designation statement indicated the decision was based mainly on PJAK’s association with the Turkish Kurdish opposition group Kongra Gel, also known as the PKK. Another militant group, the “*Ahwazi Arabs*,” operates in the largely Arab inhabited areas of southwest Iran, bordering Iraq.

## **The Son of the Former Shah**

Some Iranian exiles, as well as some elites still in Iran, want to replace the regime with a constitutional monarchy led by Reza Pahlavi, the U.S.-based son of the late former Shah and a U.S.-trained combat pilot. In January 2001, the Shah’s son, who is about 54 years old, ended a long period of inactivity by giving a speech in Washington, DC, calling for unity in the opposition and the institution of a constitutional monarchy and democracy in Iran. He has since broadcast

messages into Iran from Iranian exile-run stations in California,<sup>9</sup> and delivered a statement condemning the regime for the post-2009 election crackdown. He does not appear to have large-scale support inside Iran, but he may be trying to capitalize on the opposition's growing popularity. In January 2010, he called for international governments to withdraw their representation from Tehran.

## **Other Outside Activists**

Numerous Iranians-Americans in the United States want to see a change of regime in Tehran. Many of them are based in California, where there is a large Iranian-American community, and there are about 25 small-scale radio or television stations that broadcast into Iran. While many Iranian-Americans protested Ahmadinejad's visit to the United Nations in September 2009, and many others sport green bracelets indicating sympathy with the Green movement, it is not clear the degree to which Iranian-American or other Iranians outside Iran are in touch with oppositionists inside Iran or are influencing events in Iran.

Some organizations, such as The National Iranian American Council (NIAC) and the Public Affairs Alliance of Iranian-Americans (PAAIA), are not necessarily seeking change within Iran. The mission of NIAC, composed largely of Iranian-Americans, is to promote discussion of U.S. policy and the group has advocated engagement with Iran. PAAIA's mission is to discuss issues affecting Iranian-Americans, such as discrimination caused by public perceptions of association with terrorism or radical Islam.

## **Human Rights Practices**

The sections below discuss various aspects of Iran's human rights record. **Table 3** discusses the regime's record on a number of human rights issues and its repression of certain groups. The table is based largely on the latest State Department human rights report (released February 25, 2009) and the 2009 State Department "International Religious Freedom" report (released October 26, 2009). These reports cite Iran for widespread serious abuses, including unjust executions, politically motivated abductions by security forces, torture, arbitrary arrest and detention, and arrests of women's rights activists. The State Department human rights reports said the government's "poor human rights record worsened" during 2008. An October 1, 2008, report on Iran by the U.N. Secretary General became the basis of a U.N. General Assembly resolution, finalized on December 18, 2008, by a vote of 69-54, calling on Iran to allow visits by U.N. personnel investigating the status of human rights practices in Iran.

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<sup>9</sup> Kampeas, Ron. "Iran's Crown Prince Plots Nonviolent Insurrection from Suburban Washington." Associated Press, August 26, 2002.

Table 3. Human Rights Practices

Group/Issue	Regime Practice/Recent Developments
Ethnic and Religious Breakdown	Persians are about 51% of the population, and Azeris (a Turkic people) are about 24%. Kurds are about 7% of the population, and about 3% are Arab. Of religions, Shiite Muslims are about 90% of the Muslim population and Sunnis are about 10%. About 2% of the population is non-Muslim, including Christians, Zoroastrians (an ancient religion in what is now Iran), Jewish, and Baha'i.
Media	Since 2000, judicial hardliners have closed hundreds of reformist newspapers, although many have tended to reopen under new names. Even before the election-related unrest, Iran blocked pro-reform websites and blogs supportive of the reformist candidates. In August 2007, the government closed a major reformist daily, <i>Shargh</i> , which had previously been suspended repeatedly. In February 2008, the regime closed the main women's magazine, <i>Zanan</i> (women in Farsi) for allegedly highlighting gender inequality in Islamic law. In November 2008, the regime arrested famed Iranian blogger Hossein Derakshan. Canadian journalist (of Iranian origin) Zahra Kazemi was detained in 2003 for filming outside Tehran's Evin prison and allegedly beaten to death in custody. The intelligence agent who conducted the interrogation/beating was acquitted July 25, 2004.
Labor Unions/Students/Other Activists	Independent unions are technically legal but not allowed in practice. The sole authorized national labor organization is a state-controlled "Workers' House" umbrella. However, some activists show independence and, in 2007, the regime arrested labor activists for teachers' associations, bus drivers' unions, and a bakery workers' union. A bus drivers union leader, Mansur Osanloo, has been in jail since July 2007. The regime reportedly also dissolved student unions and replaced them with regime loyalists following student criticism of Ahmadinejad. In September 2008, Iran arrested several HIV/AIDS researchers for alleged anti-government activities.
Women	Regime strictly enforcing requirement that women fully cover themselves in public, generally with a garment called a <i>chador</i> , including through detentions. In March 2007, the regime arrested 31 women activists who were protesting the arrest in 2006 of several other women's rights activists; all but 3 of the 31 were released by March 9. In May 2006, the Majles passed a bill calling for increased public awareness of Islamic dress, an apparent attempt to persuade women not to wear Western fashion. The bill did not contain a requirement that members of Iran's minority groups wear badges or distinctive clothing. In April 2006, Ahmadinejad directed that women be allowed to attend soccer matches, but the Supreme Leader reversed that move. Women can vote and run in parliamentary and municipal elections. Iranian women can drive, and many work outside the home, including owning their own businesses. There are 9 women in the 290-seat Majles.
Religious Freedom	Each year since 1999, the State Department religious freedom report has named Iran as a "Country of Particular Concern" under the International Religious Freedom Act. No sanctions added, on the grounds that Iran is already subject to extensive U.S. sanctions. Continued deterioration in religious freedom noted in the International Religious Freedom report for 2000 (October 26, 2009).
Baha'is	Iran repeatedly cited for repression of the Baha'i community, which Iran's Shiite Muslim clergy views as a heretical sect. It numbers about 300,000 – 350,000. The State Department cited Iran on February 13, 2009, for charging seven Bahai's with espionage; thirty other Bahai's remain imprisoned. In the 1990s, several Baha'is were executed for apostasy (Bahman Samandari in 1992; Musa Talibi in 1996; and Ruhollah Ruhani in 1998). Another, Dhabihullah Mahrani, was in custody since 1995 and died of unknown causes in prison in December 2005. A wave of Baha'i arrests occurred in May 2006 and two-thirds of university students of the Baha'i faith were expelled from university in 2007. Several congressional resolutions have condemned Iran's treatment of the Baha'is, including in 1982, 1984, 1988, 1990, 1992, 1994, 1996, 2000, and 2006. In the 110 <sup>th</sup> Congress, H.Res. 1008 condemned Iran's treatment of the Baha'is (passed House August 1, 2008).
Jews	Along with Christians, a "recognized minority," with one seat in the Majles, the 30,000-member Jewish community (the largest in the Middle East aside from Israel) enjoys somewhat more freedoms than Jewish communities in several other Muslim states. However, in practice the freedom of Iranian Jews to practice their religion is limited, and Iranian Jews remain reluctant to speak out for fear of reprisals. During 1993-1998, Iran executed five Jews allegedly spying for Israel. In June 1999, Iran arrested 13 Jews (mostly teachers, shopkeepers, and butchers) from the Shiraz area that it said were part of an "espionage ring" for Israel. After an April-June 2000 trial, ten of the Jews and two Muslims accomplices were convicted (July 1, 2000), receiving sentences

Group/Issue	Regime Practice/Recent Developments
	ranging from 4 to 13 years. An appeals panel reduced the sentences, and all were released by April 2003. On November 17, 2008, Iran hanged businessman Ali Ashtari (a Muslim), who was arrested in 2006, for allegedly providing information on Iran's nuclear program to Israel.
Sunnis	The cited reports note other discrimination against Sufis and Sunni Muslims, although abuses against Sunnis could reflect that minority ethnicities, including Kurds, are mostly Sunnis. No reserved seats for Sunnis in the <i>Majles</i> but several are usually elected in their own right.
Human Trafficking	The June 16, 2009, (latest annual), State Department "Trafficking in Persons" report continues to place Iran in Tier 3 (worst level) for failing to take action to prevent trafficking in persons. Girls are trafficked for sexual exploitation within Iran and from Iran to neighboring countries.
Executions/ Juvenile Executions	Human rights groups say executions have increased sharply since the dispute over the June 2009 election. A Kurdish activist was executed in November 2009 for opposition activities. Iran executed six persons under the age of 18 in 2008, the only country to do so. As a party to the International Covenant on Civil and Political Rights and the Convention on the Rights of the Child, Iran is obligated to abolish such executions.
Stonings	In 2002, the head of Iran's judiciary issued a ban on stoning. However, Iranian officials later called that directive "advisory" and could be ignored by individual judges. On December 2, 2008, Iran confirmed the stoning deaths of two men in Mashhad who were convicted of adultery.
Azeris	Azeris are one quarter of the population, but they complain of ethnic and linguistic discrimination. In 2008, there were several arrests of Azeri students and cultural activists who were pressing for their right to celebrate their culture and history.
Arrests of Dual Nationals and Foreign Nationals	An Iranian-American journalist, Roxanna Saberi, was arrested in January 2009 allegedly because her press credentials had expired; she was charged on April 9, 2009, with espionage, apparently for possessing an Iranian military document. Sentenced to eight years in jail, she was released on appeal on May 12, 2009, but barred from practicing journalism, and has left Iran. Another dual national, Esha Momeni, arrested in October 2008, is unable to leave Iran. U.S. national, former FBI agent Robert Levinson, remains missing after a visit in 2005 to Kish Island. Iran was given a U.S. letter on these cases at a March 31, 2009, meeting in the Netherlands on Afghanistan. Three American hikers remain under detention in Iran; they were arrested in August 2009 after crossing into Iran, possibly mistakenly, from a hike in northern Iraq.

**Sources:** Most recent State Department reports on human rights (February 25, 2009), trafficking in persons (June 16, 2009), and on religious freedom (October 26, 2009). <http://www.state.gov>.

## Iran's Strategic Capabilities and Weapons of Mass Destruction Programs

Many in the Obama Administration view Iran, as the Bush Administration did, as one of the key national security challenges facing the United States.<sup>10</sup> This assessment is based largely on Iran's weapons of mass destruction (WMD) programs—and particularly in light of revelations in September 2009 that Iran is building at least one more nuclear site than it had previously declared—and its ability to exert influence in the region counter to U.S. objectives.<sup>11</sup> Many experts agree that Iran's core national security goals are to protect itself from foreign, primarily U.S., interference or attack, and to exert regional influence that Iran believes is commensurate with its size and concept of nationhood. On the other hand, some see the internal unrest as

<sup>10</sup> A March 16, 2006 "National Security Strategy" document stated that the United States "may face no greater challenge from a single country than from Iran."

<sup>11</sup> See <http://www.whitehouse.gov/nsc/nss/2006/>.



distracting Iranian leaders from exerting influence outside Iran and from making key decisions that might be needed to further accelerate WMD programs.

## **Conventional Military/Revolutionary Guard/Qods Force**

Iran's armed forces are extensive but they are widely considered relatively combat ineffective against a well-trained, sophisticated military such as that of the United States or a regional power such as Turkey, and Iran lacks the logistical ability to project power much beyond its borders. Still, Iranian forces could still cause damage to U.S. forces and allies in the Gulf region, and they are sufficiently effective to deter or fend off conventional threats from Iran's weaker neighbors such as post-war Iraq, Turkmenistan, Azerbaijan, and Afghanistan. Iran's armed forces have few formal relationships with foreign militaries, but Iran and India have a "strategic dialogue" and some Iranian naval officers reportedly have undergone some training in India. Iran and Turkey agreed in principle in April 2008 to jointly fight terrorism along their border. Most of Iran's other military-to-military relationships, such as with Russia, Ukraine, Belarus, North Korea, and a few others, generally center on Iranian arms purchases or upgrades.

Iran's armed forces are divided organizationally. The Islamic Revolutionary Guard Corps (IRGC, known in Persian as the *Pasdaran*)<sup>12</sup> controls the *Basij* (Mobilization of the Oppressed) volunteer militia that enforces adherence to Islamic customs and has been the main instrument to repress the postelection protests in Iran. The IRGC and the regular military report to a Joint Headquarters, headed by Hassan Firuzabadi. In line with some congressional and Administration ideas to try to weaken the IRGC by addressing its vulnerabilities, a provision of the National Defense Authorization Act for FY2010 (Section 1224, P.L. 111-84) calls for a report on Iran's conventional military strategy and power, in particular the capabilities of the IRGC.

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<sup>12</sup> For a more extensive discussion of the IRGC, see Katzman, Kenneth. "The Warriors of Islam: Iran's Revolutionary Guard," *Westview Press*, 1993.

**Table 4. The Revolutionary Guard**

The IRGC is generally loyal to Iran's hardliners politically and is clearly more politically influential than is Iran's regular military, which is numerically larger but was held over from the Shah's era. Its influence has, by all accounts, grown sharply over the past few years as the regime has relied on it to suppress dissent. As described in a 2009 Rand Corporation study, "Founded by a decree from Ayatollah Khomeini shortly after the victory of the 1978-1979 Islamic Revolution, Iran's Islamic Revolutionary Guards Corps (IRGC) has evolved well beyond its original foundations as an ideological guard for the nascent revolutionary regime. Today the IRGC functions as an expansive socio-political-economic conglomerate whose influence extends into virtually every corner of Iranian political life and society. Bound together by the shared experience of war and the socialization of military service, the Pasdaran have articulated a populist, authoritarian, and assertive vision for the Islamic Republic of Iran that they maintain is a more faithful reflection of the revolution's early ideals. The IRGC's presence is particularly powerful in Iran's highly factionalized political system, in which [many senior figures] hail from the ranks of the IRGC. Outside the political realm, the IRGC oversees a robust apparatus of media resources, training activities, education programs designed to bolster loyalty to the regime, prepare the citizenry for homeland defense, and burnish its own institutional credibility vis-a-vis other factional actors. It is in the economic sphere, however, that the IRGC has seen the greatest growth and diversification—strategic industries and commercial services ranging from dam and pipeline construction to automobile manufacturing and laser eye surgery have fallen under its sway, along with a number of illicit smuggling and black market enterprises."

Through its Qods (Jerusalem) Force, the IRGC has a foreign policy role in exerting influence throughout the region by supporting pro-Iranian movements, as discussed further below. The Qods Force numbers approximately 10,000-15,000 personnel who provide advice, support, and arrange weapons deliveries to pro-Iranian factions in Lebanon, Iraq, Persian Gulf states, Gaza/West Bank, Afghanistan, and Central Asia. It also operates a worldwide intelligence network to give Iran possible terrorist option and to assist in procurement of WMD-related technology. The Qods Force commander, Brig. Gen. Qassem Soleimani, is said to have his own independent channel to Supreme Leader Khamene'i, bypassing the IRGC and Joint Staff command structure. The Qods Force commander during 1988-1995 was Brig. Gen. Ahmad Vahidi, confirmed as Defense Minister on September 3, 2009. He led the unit during several major initiatives such as its alleged assistance to two bombings of Israeli and Jewish targets in Buenos Aires (the 1994 bombing he is wanted by Interpol for a role in it; the buildup of Lebanese Hezbollah's rocket capabilities; the recruitment of Saudi Hezbollah activists later accused of the June 1996 Khobar Towers bombing; and the assassination of Iranian dissident leaders in Europe in the early 1990s.

IRGC leadership developments are significant because of the political influence of the IRGC. On September 2, 2007, Khamene'i replaced Rahim Safavi with Mohammad Ali Jafari as Commander In Chief of the Guard; Jafari is considered a hardliner against political dissent and is reputedly close to the Supreme Leader and less so to Ahmadinejad. The *Basij* reports to the IRGC Commander in Chief; its leadership was changed in October 2009, to Brig. Gen. Mohammad Reza Naqdi (replacing Hossein Taeb). It operates from thousands of positions in Iran's institutions. Command reshuffles in July 2008 that integrated the *Basij* more closely with provincially-based IRGC units furthered the view that the *Basij* is playing a more active role in uncovering suspected plotting by Iran's minorities and others. In November 2009, the regime gave the IRGC's intelligence units greater authority, perhaps surpassing those of the Ministry of Intelligence, in monitoring dissent. More information on how the Iranian military might perform against the United States is discussed later. The IRGC Navy now has responsibility to patrol the entire Persian Gulf, and that the regular Navy is patrolling the Strait of Hormuz and Gulf of Oman.

As noted, the IRGC is also increasingly involved in Iran's economy, acting through a network of contracting businesses it has set up, most notably *Ghorb* (also called *Khatem ol-Anbiya*, Persian for "Seal of the Prophet"). Active duty IRGC senior commanders reportedly serve on *Ghorb*'s board of directors. In late September 2009, the Guard bought a 50% stake in Iran Telecommunication Company at a cost of \$7.8 billion. In the past five years, Guard affiliated firms have won 750 oil and gas and construction contracts, and the Guard has its own civilian port facilities (New York Times, September 29, 2009). On October 21, 2007, the Treasury Department designated several IRGC companies as proliferation entities under Executive Order 13382. Also that day, the IRGC as a whole, the Ministry of Defense, several IRGC commanders, and several Iranian banks were sanctioned under that same executive order. Simultaneously, the Qods Force was named as a terrorism supporting entity under Executive Order 13224. Both orders freeze the U.S.-based assets and prevent U.S. transactions with the named entities, but these entities are believed to have virtually no U.S.-based assets that could be frozen. The designations stopped short of concurring with provisions of bills in the 110<sup>th</sup> Congress—H.R. 1400 (passed by the House on September 25), S. 970, and the FY2008 defense authorization bill (P.L. 110-181, Senate amendment adopted September 6, 2007, by vote of 76-22)—for the Revolutionary Guard to be designated a foreign terrorist organization, or FTO. **Sources:** Frederic Wehrey et al. "The Rise of the Pasdaran." Rand Corporation. 2009. Katzman, Kenneth. "The Warriors of Islam: Iran's Revolutionary Guard." Westview Press, 1993.



Table 5. Iran's Conventional Military Arsenal

Military Personnel	Tanks	Surface-Air Missiles	Combat Aircraft	Ships	Defense Budget (billions U.S. \$)
545,000 (regular military and Revolutionary Guard Corps (IRGC). IRGC is about one-third of total force.	1,693 (incl. 480 T-72)	150 I-Hawk plus some Stinger	280 (incl. 25 MiG-29 and 30 Su-24)	200 (incl. 10 Chinese-made Hudong, 40 Boghammer, 3 frigates) Also has 3 Kilo subs	6.6

**Ship-launched cruise missiles.** Iran is able to arm its patrol boats with Chinese-made C-802 cruise missiles. Iran also has Chinese-supplied HY-2 Seerseekers emplaced along Iran's coast.

**Midget Subs.** Iran is said to possess several, possibly purchased assembled or in kit form from North Korea. Iran claimed on November 29, 2007, to have produced a new small sub equipped with sonar-evading technology.

**Anti-aircraft missile systems.** Russia has sold and now delivered to Iran (January 2007) 30 anti-aircraft missile systems (Tor M1), worth over \$1 billion. In September 2006, Ukraine agreed to sell Iran the Kolchuga radar system that can improve Iran's detection of combat aircraft. In December 2007, Russia agreed to sell the even more capable S-300 (also known as SA-20 "Gargoyle") air defense system, purportedly modeled after the U.S. Patriot system, which U.S. officials say would greatly enhance Iran's air defense capability. The value of the deal is estimated at \$800 million. Amid unclear or weak denials by Iranian and Russian officials, U.S. officials told journalists on December 11, 2008, that Iran has indeed contracted for the missile. It is reportedly was due for delivery by March 2009 and to be operational by June 2009, but Russian press reports in February 2009 about the visit of Iran's Defense Minister to Moscow indicate that Russia has placed delivery on hold due to "political considerations"—expectations of possible adverse reaction by the Obama Administration. Delivery has not taken place to date, by all accounts, and Israel said in August 2009 that Russia had agreed not to deliver any equipment to Iran that would upset the regional balance of power.

## Nuclear Program and Related International Diplomacy

Since 2005, Iran and the international community have been seeking to limit Iran's nuclear program. U.S. officials say they are operating under the assumption that Iran intends to develop a nuclear weapon from that program. Then International Atomic Energy Agency (IAEA) Director Mohammad El Baradei<sup>13</sup> said in a press interview on June 17, 2009, that "My gut feeling is that Iran definitely would like to have the technology ... that would enable it to have nuclear weapons if they decided to do so." In February 2009, the Director of National Intelligence (DNI) Dennis Blair reiterated previous assessments that it is likely that Iran will eventually try to develop a nuclear weapon. These assessments were given additional weight on September 25, 2009, when President Obama and French and British leaders revealed purported longstanding intelligence that Iran is developing a uranium enrichment site on a Revolutionary Guard base near Qom that appears unsuitable for purely civilian use. Iran had formally notified the IAEA of the site in prior days and asserted that, because the site was not operational, the site was not a violation of its Safeguards Agreement with the IAEA, although IAEA and U.S. officials maintain this violates agreed reporting requirements of Iran.

The Obama Administration faces policy choices in light of IAEA reports (February 19, 2009) that Iran has now enriched enough uranium for a nuclear weapon, although only if enriched to 90%. An IAEA report of June 5, 2009, reiterated that Iran's enrichment thus far has been 5%, which is

<sup>13</sup> A new IAEA Director, Japanese official Yukiya Amano, took office December 2009.

a level that would permit only civilian uses, but added that Iran has now installed over 7,000 centrifuges, of which over 5,000 are being fed with uranium feedstock. There continues to be no evidence that Iran has diverted any nuclear material for a nuclear weapons program, but the IAEA asserts that it cannot verify that Iran's current program is purely peaceful. Several of its reports (January 31, 2006, February 27, 2006, May 26, 2008, and September 15, 2008) describe Iranian documents that show a possible involvement of Iran's military in the program.

Some U.S. officials, including Secretary of Defense Gates, have signaled less urgency, saying on March 1, 2009, that Iran is "not close" to a nuclear weapon. The George W. Bush Administration's December 2007 NIE assessed that Iran will likely be technically capable of producing enough highly enriched uranium for a nuclear weapon some time during 2010-2015. This time frame was reiterated in February 12, 2009, testimony by Director of National Intelligence Dennis Blair and by him again since then.<sup>14</sup> Because of the Qom site revelation, it is no longer clear that Iran's weaponization efforts are on hold, as the 2007 NIE had said they have been (since 2003). On the other hand, some experts say that there has been some slowdown in Iran's program in recent months, possibly due to the turmoil resulting from the domestic unrest, and/or technical difficulties.

### **Iran's Arguments and the International Response**

International scrutiny of Iran's nuclear program intensified in 2002, when Iran confirmed PMOI allegations that Iran was building two facilities that could potentially be used to produce fissile material useful for a nuclear weapon: a uranium enrichment facility at Natanz and a heavy water production plant at Arak,<sup>15</sup> considered ideal for the production of plutonium. It was revealed in 2003 that the founder of Pakistan's nuclear weapons program, A.Q. Khan, sold Iran nuclear technology and designs.<sup>16</sup>

Iranian leaders have addressed the scrutiny by saying that Iran's nuclear program is for electricity generation and that enrichment is its "right" as a party to the NPT. Iran professes that WMD is inconsistent with its ideology and says that its leaders, including the late Ayatollah Khomeini, have issued formal pronouncements (*fatwas*) that nuclear weapons are un-Islamic. Iran says its oil resources are finite and that enriching uranium to make nuclear fuel is allowed under the 1968 Nuclear Non-Proliferation Treaty,<sup>17</sup> to which Iran is a party. An analysis was published by the National Academy of Sciences challenging the U.S. view that Iran is petroleum rich and therefore has no need for a nuclear power program. According to the analysis, the relative lack of investment could cause Iran to have negligible exports of oil by 2015.<sup>18</sup> The United States and its partners now accept Iran's right to purely peaceful uses of nuclear energy. In the past, U.S. officials have said that Iran's gas resources make nuclear energy unnecessary.

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<sup>14</sup> Text at [http://www.dni.gov/press\\_releases/20071203\\_release.pdf](http://www.dni.gov/press_releases/20071203_release.pdf).

<sup>15</sup> In November 2006, the IAEA, at U.S. urging, declined to provide technical assistance to the Arak facility on the grounds that it was likely for proliferation purposes.

<sup>16</sup> Lancaster, John and Kamran Khan. "Pakistanis Say Nuclear Scientists Aided Iran." *Washington Post*, January 24, 2004.

<sup>17</sup> For Iran's arguments about its program, see Iranian paid advertisement "An Unnecessary Crisis—Setting the Record Straight About Iran's Nuclear Program," in the *New York Times*, November 18, 2005. P. A11.

<sup>18</sup> Stern, Roger. "The Iranian Petroleum Crisis and United States National Security," *Proceedings of the National Academy of Sciences of the United States of America*. December 26, 2006.

There is widespread belief among experts that Iran's governing factions perceive a nuclear weapons capability as a means of ending Iran's perceived historic vulnerability to invasion and domination by great powers, and as a symbol of Iran as a major nation. Others believe a nuclear weapon represents the instrument with which Iran intends to intimidate its neighbors and dominate the Persian Gulf region. There are also fears Iran might transfer WMD to extremist groups or countries. On the other hand, some Iranian strategists maintain that a nuclear weapons will bring Iran only further sanctions, military containment, U.S. attempted interference in Iran, and efforts by neighbors to develop countervailing capabilities. Some members of the domestic opposition, such as Musavi, have positions on the nuclear issue similar to those of regime leaders, but some opposition factions see the nuclear program as an impediment to eventual re-integration with the West and might be willing to significantly limit the program.

U.S. officials have generally been less concerned with Russia's work, under a January 1995 contract, on an \$800 million nuclear power plant at Bushehr. Russia insisted that Iran sign an agreement under which Russia would provide reprocess the plant's spent nuclear material; that agreement was signed on February 28, 2005. The plant was expected to become operational in 2007, but Russia had insisted (including during President Putin's visit to Iran in October 2007) that Iran first comply with the U.N. resolutions discussed below. In December 2007, Russia began fueling the reactor, and Iran says it expects the plant to become operational in 2009. Some preliminary tests of the plant began in February 2009, but, possibly as a sign of Russian cooperation with international pressure on Iran, Russia has not brought the plant to operational status to date. As part of this work, Russia has trained 1,500 Iranian nuclear engineers.

### ***Diplomatic Efforts in 2003 and 2004/Paris Agreement***

In 2003, France, Britain, and Germany (the "EU-3") opened a separate diplomatic track to curb Iran's program. On October 21, 2003, Iran pledged, in return for peaceful nuclear technology, to (1) fully disclose its past nuclear activities, (2) to sign and ratify the "Additional Protocol" to the NPT (allowing for enhanced inspections), and (3) to suspend uranium enrichment activities. Iran signed the Additional Protocol on December 18, 2003, although the *Majles* has not ratified it. Iran discontinued abiding by the Protocol after the IAEA reports of November 10, 2003, and February 24, 2004, stated that Iran had violated its NPT reporting obligations over an 18-year period.

In the face of the U.S. threat to push for Security Council action, the EU-3 and Iran reached a more specific November 14, 2004, "Paris Agreement," committing Iran to suspend uranium enrichment (which it did as of November 22, 2004) in exchange for renewed trade talks and other aid.<sup>19</sup> The Bush Administration did not openly support the track until March 11, 2005, when it announced it would drop U.S. objections to Iran applying to join the World Trade Organization (it applied in May 2005) and to selling civilian aircraft parts to Iran. The Bush Administration did not participate directly in the talks.

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<sup>19</sup> For text of the agreement, see [http://www.iaea.org/NewsCenter/Focus/IaeaIran/eu\\_iran14112004.shtml](http://www.iaea.org/NewsCenter/Focus/IaeaIran/eu_iran14112004.shtml). EU-3—Iran negotiations on a permanent nuclear pact began on December 13, 2004, and related talks on a trade and cooperation accord (TCA) began in January 2005.

### ***Reference to the Security Council***

The Paris Agreement broke down just after Ahmadinejad's election; Iran rejected as insufficient an EU-3 offer to assist Iran with peaceful uses of nuclear energy and provide limited security guarantees in exchange for Iran's (1) permanently ending uranium enrichment; (2) dismantling the Arak heavy-water reactor;<sup>20</sup> (3) no-notice nuclear inspections; and (4) a pledge not to leave the NPT (it has a legal exit clause). On August 8, 2005, Iran broke the IAEA seals and began uranium "conversion" (one step before enrichment) at its Esfahan facility. On September 24, 2005, the IAEA Board declared Iran in non-compliance with the NPT and decided to refer the issue to the Security Council,<sup>21</sup> but no time frame was set for the referral. After Iran resumed enrichment activities, on February 4, 2006, the IAEA board voted 27-3<sup>22</sup> to refer the case to the Security Council. On March 29, 2006, the Council agreed on a presidency "statement" setting a 30-day time limit (April 28, 2006) for ceasing enrichment.<sup>23</sup>

### **Establishment of "P5+1" Contact Group/June 2006 Incentive Package**

Taking a multilateral approach, the George W. Bush Administration offered on May 31, 2006, to join the nuclear talks with Iran if Iran first suspends its uranium enrichment. Such talks would center on a package of incentives and possible sanctions—formally agreed on June 1, 2006—by a newly formed group of nations, the so-called "Permanent Five Plus 1" (P5+1: United States, Russia, China, France, Britain, and Germany). EU representative Javier Solana formally presented the P5+1 offer to Iran on June 6, 2006. (The package is Annex I to Resolution 1747.)

Incentives:

- Negotiations on an EU-Iran trade agreements and acceptance of Iran into the World Trade Organization.
- Easing of U.S. sanctions to permit sales to Iran of commercial aircraft/parts.
- Sale to Iran of a light-water nuclear reactor and guarantees of nuclear fuel (including a five year buffer stock of fuel), and possible sales of light-water research reactors for medicine and agriculture applications.
- An "energy partnership" between Iran and the EU, including help for Iran to modernize its oil and gas sector and to build export pipelines.
- Support for a regional security forum for the Persian Gulf, and support for the objective of a WMD free zone for the Middle East.
- The possibility of eventually allowing Iran to resume uranium enrichment if it complies with all outstanding IAEA requirements.

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<sup>20</sup> In November 2006, the IAEA, at U.S. urging, declined to provide technical assistance to the Arak facility.

<sup>21</sup> Voting in favor: United States, Australia, Britain, France, Germany, Canada, Argentina, Belgium, Ghana, Ecuador, Hungary, Italy, Netherlands, Poland, Portugal, Sweden, Slovakia, Japan, Peru, Singapore, South Korea, India. Against: Venezuela. Abstaining: Pakistan, Algeria, Yemen, Brazil, China, Mexico, Nigeria, Russia, South Africa, Sri Lanka, Tunisia, and Vietnam.

<sup>22</sup> Voting no: Cuba, Syria, Venezuela. Abstaining: Algeria, Belarus, Indonesia, Libya, South Africa.

<sup>23</sup> See <http://daccessdds.un.org/doc/UNDOC/GEN/N06/290/88/PDF/N0629088.pdf?OpenElement>.

### Sanctions:<sup>24</sup>

- Denial of visas for Iranians involved in Iran's nuclear program and for high-ranking Iranian officials.
- A freeze of assets of Iranian officials and institutions; a freeze of Iran's assets abroad; and a ban on some financial transactions.
- A ban on sales of advanced technology and of arms to Iran; and a ban on sales to Iran of gasoline and other refined oil products.
- An end to support for Iran's application to the WTO.

### Resolution 1696

Iran did not immediately respond to the offer. On July 31, 2006, the Security Council voted 14-1 (Qatar voting no) for U.N. Security Council Resolution 1696, giving Iran until August 31, 2006, to fulfill the longstanding IAEA nuclear demands (enrichment suspension, etc). Purportedly in deference to Russia and China, it was passed under Article 40 of the U.N. Charter, which makes compliance mandatory, but not under Article 41, which refers to economic sanctions, or Article 42, which would authorize military action. It called on U.N. member states not to sell Iran WMD-useful technology. On August 22, 2006, Iran responded, but Iran did not offer enrichment suspension, instead offering vague proposals of engagement with the West.

### Resolution 1737

With the backing of the P5+1, chief EU negotiator Javier Solana negotiated with Iran to try arrange a temporary enrichment suspension, but talks ended on September 28, 2006, without agreement. The Security Council adopted U.N. Security Council Resolution 1737 unanimously on December 23, 2006, under Chapter 7, Article 41 of the U.N. Charter. It prohibits sale to Iran—or financing of such sale—of technology that could contribute to Iran's uranium enrichment or heavy-water reprocessing activities. It also required U.N. member states to freeze the financial assets of 10 named Iranian nuclear and missile firms and 12 persons related to those programs. It called on—but did not mandate—member states not to permit travel by these persons. In deference to Russia, the Resolution did not apply to the Bushehr reactor.

### Resolution 1747 and Results

Resolution 1737 demanded enrichment suspension by February 21, 2007. With no Iranian compliance, on March 24, 2007, after only three weeks of P5+1 negotiations, Resolution 1747 was adopted unanimously, which

- added 10 military/WMD-related entities; 3 Revolutionary Guard entities; 8 persons, and 7 Revolutionary Guard commanders. Bank Sepah is among the entities sanctioned.

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<sup>24</sup> One source purports to have obtained the contents of the package from ABC News: <http://www.basicint.org/pubs/Notes/BN060609.htm>.

- banned arms transfers by Iran, a provision targeted at Iran's alleged arms supplies to Lebanese Hezbollah and to Shiite militias in Iraq.
- required all countries to report to the United Nations when sanctioned Iranian persons travel to their territories.
- called for (but did not require) countries to avoid selling arms or dual use items to Iran and to avoid any new lending or grants to Iran.

Resolution 1747 demanded Iran suspend enrichment by May 24, 2007. Iran did not comply, but, suggesting it wanted to avoid further isolation, in August 2007, Iran agreed to sign with the IAEA an agreement to clear up outstanding questions on Iran's past nuclear activities by the end of 2007. On September 28, 2007, the P5+1 grouping—along with the EU itself—agreed to a joint statement pledging to negotiate another sanctions resolution if there is no progress reported by the IAEA in implementing the August 2007 agreement or in negotiations with EU representative Javier Solana. The IAEA and Solana indicated that Iran's responses fell short; Solana described a November 30, 2007, meeting with Iranian negotiator Sayid Jallili as "disappointing."

### **Resolution 1803 and Additional Incentives**

After several months of negotiations, Resolution 1803 was adopted by a vote of 14-0 (Indonesia abstaining) on March 3, 2008. It (1) bans sales of dual use items to Iran; (2) authorizes, but does not require, inspections of cargo, carried by Iran Air Cargo and Islamic Republic of Iran Shipping Line, suspected of shipping WMD-related goods; (3) imposes a firm travel ban on five Iranians named in Annex II to the Resolution and requires reports on international travel by 13 individuals named in Annex I; (4) calls for, but does not impose, a prohibition on financial transactions with Iran's Bank Melli and Bank Saderat; and (5) adds 12 entities to those sanctioned under Resolution 1737. (On June 23, 2008, the EU, acting under Resolution 1803, froze the assets of Bank Melli and several IRGC entities and commanders.)

Resolution 1803 also stated the willingness of the P5+1 to consider additional incentives to resolve the Iranian nuclear issue through negotiation "on the basis of their June 2006 proposals." The Bush Administration agreed to expand the June 2006 incentive package at a meeting in London on May 2, 2008, resulting in an offer to Iran to add political cooperation and enhanced energy cooperation to prior incentive packages. EU envoy Solana presented the package (which included a signature by Secretary of State Rice) on June 14, 2008, but Iran was non-committal.

Sensing increasing pressure, in July 2008, Iran indicated it might be ready to first accept a six week "freeze for freeze," i.e., the P5+1 would freeze further sanctions efforts and Iran would freeze any expansion of uranium enrichment (though not suspend outright). To try to take advantage of what appeared to be an Iranian willingness to compromise, the Bush Administration sent Undersecretary of State for Political Affairs William Burns to join Solana and the other P5+1 representatives at a meeting in Geneva on July 19, 2008. Iran did not accept the "freeze for freeze" idea by an extended deadline of August 2, 2008.

### **Resolution 1835**

As a result of the lack of progress, the P5+1 began discussing another sanctions resolution. Ideas reportedly considered included adding more Iranian banks to those sanctioned, or banning insurance for Iran's tanker fleet. On August 7, 2008, the EU implemented the sanctions specified



in Resolution 1803, including asserting the authority to inspect suspect shipments, and called on its members to refrain from providing new credit guarantees on exports to Iran. However, the August 2008 crisis between Russia and Georgia set back U.S.-Russia relations, and Russia opposed new U.N. sanctions on Iran. In an effort to demonstrate to Iran continued unity, the Council did adopt (September 27, 2008) Resolution 1835, calling on Iran to comply with previous resolutions, but restating a willingness to negotiate and imposing no new sanctions.

With Iran still not complying, the P5+1 met again in October and in November of 2008. However, with U.S. partner officials uncertain about what U.S. policy toward Iran might be under a new U.S. Administration, there was no consensus on new sanctions.

### **The P5+1 Process Under President Obama**

After President Obama was inaugurated, the P5+1 met in Germany (February 4, 2009), reportedly focusing on the new U.S. Administration's approach on Iran. It recommitted to the "two track" strategy of incentives and sanctions.<sup>25</sup> Another P5+1 meeting was held in London on April 8, 2009, during which Undersecretary Burns told the other members of the group that, henceforth, a U.S. diplomat would attend all of the group's meetings with Iran. Iran put off new meetings until after the Iranian June 12, 2009, election.<sup>26</sup> In order to try to show good faith to Iran, the Obama Administration did not press for new sanctions.

As far as a time frame for an Iranian response, on May 18, 2009, in the context of a meeting with visiting Israeli Prime Minister Benjamin Netanyahu, President Obama said he expect a positive response by Iran to the U.S. outreach "by the end of [2009]," but that the United States would not entertain the idea of endless talks that yield no result. The July 9, 2009, G-8 summit statement, which included Russian concurrence, mentioned late September 2009 (G-20 summit on September 24) as a time by which the P5+1 would expect Iran to come to new talks and offer constructive proposals for a settlement, lest the P5+1 consider "crippling sanctions" on Iran's economy.

### ***October 1 Tentative Agreement and Subsequent Developments***

Perhaps sensing the pressure, on September 1, 2009, Iran's senior negotiator, Sayed Jallili, said Iran would come to new talks. On September 9, 2009, Iran distributed its long anticipated proposals to settle the nuclear issue. To P5+1 representatives in Iran (Swiss Ambassador represented the United States).<sup>27</sup> The Iranian proposals were criticized by many as vague but the United States and its partners considered it a sufficient basis to schedule a meeting with Iran for October 1, 2009, in Geneva.

In light of September 25 revelations about the previously unreported Iranian nuclear site—and despite Iran's insistence that it would allow the facility to be inspected—little progress was expected at the meeting. However, the seven hour session, in which U.S. Under Secretary of State William Burns, representing the United States, also met privately with Iranian negotiator Sayed

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<sup>25</sup> Dempsey, Judy. "U.S. Urged to Talk With Iran." *International Herald Tribune*, February 5, 2009.

<sup>26</sup> CRS conversations with European diplomats in July 2009.

<sup>27</sup> "Cooperation for Peace, Justice, and Progress." Text of Iranian proposals. <http://enduringamerica.com/2009/09/11/irans-nukes-full-text-of-irans-proposal-to-51-powers/>

Jallili, resulted in tentative agreements to (1) meet again later in October; (2) allow the IAEA to inspect the newly revealed Iranian facility near Qom; and (3) allow Russia and France, subject to technical talks to begin by mid-October, to re-process about 75% of Iran's low-enriched uranium for medical use.

The technical talks were held October 19-21, 2009, at IAEA headquarters in Vienna, Austria, and chaired on the U.S. side by Deputy Energy Secretary Daniel Poneman. A draft agreement was approved by the P5+1 countries and the IAEA. Iran has not accepted the draft, instead offering tentative counter-proposals to ship its enriched uranium to France and Russia in increments. On the other hand, some Iranian officials have floated the concept of having the uranium sent to Turkey for enrichment, a proposal that U.S. officials reportedly offered a substitute for Russian or French enrichment. All of Iran's proposals were deemed insufficiently specific or responsive to meet P5+1 demands by the end of 2009. Some attribute the Iranian refusal to agree to the October 1 terms as due to the internal political pressure from reformist leaders, such as Musavi, who are trying to paint Ahmadinejad as so politically weak that he is forced to accept a deal that disadvantages Iran. The Qom facility was inspected during October 25-29, 2009, as agreed.

Because Iran did not accept the October 1 terms by the end of 2009, the P5+1 countries have returned to considering sanctions against Iran. The P5+1 met in Brussels on November 21, 2009, issuing a statement calling on Iran to accept the October 1 proposal. Later, with reported help from China, which had received an NSC briefing on the likely adverse implications for the oil market if Iran's nuclear program proceeds apace, the IAEA Board adopted a resolution on November 27, 2009. China and Russia voted for the Resolution.<sup>28</sup> The Resolution (Gov/2009/82) urged Iran to suspend construction at the Qom site; and called on Iran to confirm it had not decided to construct any other undeclared nuclear facility. As a response to the Resolution, which Iran viewed as contrary to the spirit of negotiated resolution of the nuclear disputes, Iranian officials announced they would construct 10 new uranium enrichment sites, and Ahmadinejad, in early December, declared Iran would enrich uranium to 20% purity for medical uses (but which could be taken as an intent to later make weapons grade uranium).

Some of the specific sanctions ideas under consideration before the latest phase of the dispute included those previously considered: cutting Iran's banks off from the international banking system; banning insurance or re-insurance to carry gasoline products to Iran; and a ban on arms sales to Iran. In light of the unrest in Iran, several December 2009 and January 2010 press reports say the Administration is focusing on sanctioning the Revolutionary Guard and other security organs that are suppressing the Iranian protesters. (See further in "Further International and Multilateral Sanctions" section below.) However, the support of Russia and China for any new sanctions remains uncertain. Despite comments by Secretary Clinton on January 4, 2010, that new sanctions are needed, China's Ambassador to the United Nations said on January 6, 2010, that diplomacy is still possible and that, therefore, "some more time and patience" are needed before new sanctions should be enacted. The reluctance of the two countries to sanction Iran has increased discussion of a group of "like-minded" countries enacting additional sanctions on Iran.

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<sup>28</sup> Three countries voted no: Malaysia, Cuba, and Venezuela. Six abstained: Afghanistan, Pakistan, Turkey, Brazil, Egypt, and South Africa. Azerbaijan left the meeting before voting.



**Table 6. Summary of Provisions of U.N. Resolutions on Iran Nuclear Program (1737, 1747, and 1803)**

Require Iran to suspend uranium enrichment
Prohibit transfer to Iran of nuclear, missile, and dual use items to Iran, except for use in light-water reactors
Prohibit Iran from exporting arms or WMD-useful technology
Freeze the assets of 40 named Iranian persons and entities, including Bank Sepah.
Require that countries exercise restraint with respect to travel of 35 named Iranians and ban the travel of 5 others
Calls on states not to export arms to Iran or support new business with Iran
Calls for “vigilance” (a non-binding call to cut off business) with respect to all Iranian banks, particularly Bank Melli and Bank Saderat
Calls on countries to inspect cargoes carried by Iran Air Cargo and Islamic Republic of Iran Shipping Lines if there are indications they carry cargo banned for carriage to Iran.

## Chemical Weapons, Biological Weapons, and Missiles

Official U.S. reports and testimony continue to state that Iran is seeking a self-sufficient chemical weapons (CW) infrastructure, and that it “may have already” stockpiled blister, blood, choking, and nerve agents—and the bombs and shells to deliver them. This raises questions about Iran’s compliance with its obligations under the Chemical Weapons Convention (CWC), which Iran signed on January 13, 1993, and ratified on June 8, 1997. These officials and reports also say that Iran “probably maintain[s] an offensive [biological weapons] BW program ... and probably has the capability to produce at least small quantities of BW agents.”

### Ballistic Missiles/Warheads

At the February 2009 Annual Threat Assessment of the Intelligence Community, Director of National Intelligence, Dennis Blair, testified “although many of their statements are exaggerations, Iranian officials throughout the past year have repeatedly claimed greater ballistic missile capabilities that could threaten U.S. and allied interests.”<sup>29</sup> Tehran appears to view its ballistic missiles as an integral part of its strategy to deter or retaliate against forces in the region, including U.S. forces. However, Iran’s technical capabilities are a matter of some debate among experts, and Iran appears to be focus more on missiles capable of hitting regional targets rather than those of intercontinental range. The chart below contains some details on Iran’s missile programs and recent tests.

In August 2008, the George W. Bush Administration reached agreements with Poland and the Czech Republic to establish a missile defense system to counter Iranian ballistic missiles. These agreements were reached over Russia’s opposition, which was based on the belief that the missile defense system would be used to neutralize Russian capabilities. However, reportedly based on assessments of Iran’s focus on missiles of regional range, on September 17, 2009, the Obama Administration reoriented this missile defense program to focus, at least initially, on ship-based

<sup>29</sup> Annual Threat Assessment of the Intelligence for the Senate Select Committee on Intelligence, Dennis C. Blair, Director of National Intelligence, February 12, 2009.

systems, possibly later returning to the idea of Poland and Czech-based systems. Some saw this as an effort to win Russia's support for additional sanctions on Iran, and Russian statements did shift somewhat toward the U.S. position on Iran after the Obama missile defense announcement.

**Table 7. Iran's Ballistic Missile Arsenal**

Shahab-3 ("Meteor")	800-mile range. Two of first three tests (July 1998, July 2000, and September 2000) reportedly unsuccessful. After successful test in June 2003, Iran called missile operational (capable of hitting Israel). Despite claims, some U.S. experts say the missile not completely reliable—some observers said Iran detonated in mid-flight a purportedly more accurate version on August 12, 2004. On May 31, 2005, Iran announced it had tested a solid-fuel version. Iran tested several of the missiles on September 28, 2009, in advance of the October 1 meeting with the P5+1.
Shahab-4 /Sijji	1,200-1,500-mile range. In October 2004, Iran announced it had extended range of the Shahab-3 to 1,200 miles, and it added in early November 2004 that it is capable of "mass production" of it. <i>Agence France Presse</i> report (February 6, 2006) said January 2006 test succeeded. Related missiles claimed by Iran to have 1,200 mile range, include the "Ashoura" (claimed in November 2007); the "Ghadr" (displayed at military parade in September 2007); and the "Sijil," tested on November 12, 2000 (solid fuel). "Sijil 2" tested successfully on May 20, 2009 and December 16, 2009, but Secretary Gates said the range is likely closer to 1,200 miles than to 1,500. Still, this test potentially puts large portions of the Near East and Southeastern Europe in range, including U.S. bases in Turkey.
BM-25	1,500-mile range. On April 27, 2006, Israel's military intelligence chief said that Iran had received a shipment of North Korean-supplied BM-25 missiles. Missile said to be capable of carrying nuclear warheads. The <i>Washington Times</i> appeared to corroborate this reporting in a July 6, 2006, story, which asserted that the North Korean-supplied missile is based on a Soviet-era "SS-N-6" missile.
ICBM	U.S. officials believe Iran might be capable of developing an intercontinental ballistic missile (3,000 mile range) by 2015. In February 2008 Iran claimed to have launched a probe into space, suggesting its missile technology might be improving to the point where an Iranian ICBM is realistic.
Other Missiles	On September 6, 2002, Iran said it successfully tested a 200 mile range "Fateh 110" missile (solid propellant), and Iran said in late September 2002 that it had begun production. Iran also possesses a few hundred short-range ballistic missiles, including the <i>Shahab-1</i> (Scud-b), the <i>Shahab-2</i> (Scud-C), and the <i>Tondar-69</i> (CSS-8). In January 2009, Iran claimed to have tested a new air-to-air missile.
Space Vehicle	Following an August 2008 failure, in early February 2009, Iran successfully launched a small, low-earth satellite on a Safir-2 rocket (range about 155 miles). The Pentagon said the launch was "clearly a concern of ours" because "there are dual-use capabilities here which could be applied toward the development of long-range missiles."
Warheads	<i>Wall Street Journal</i> report of September 14, 2005, said that U.S. intelligence believes Iran is working to adapt the Shahab-3 to deliver a nuclear warhead. Subsequent press reports say that U.S. intelligence captured an Iranian computer in mid-2004 showing plans to construct a nuclear warhead for the Shahab. <sup>30</sup> The IAEA is seeking additional information from Iran.

## Foreign Policy and Support for Terrorist Groups

Iran's foreign policy is a product of the ideology of Iran's Islamic revolution, blended with long-standing national interests. Some interpret Iran's objectives as the overturning of the power structure in the Middle East, which Iran believes favors the United States, Israel, and their

<sup>30</sup> Broad, William and David Sanger. "Relying On Computer, U.S. Seeks to Prove Iran's Nuclear Aims." *New York Times*, November 13, 2005.

“collaborators”—Sunni Muslim regimes such as Egypt, Jordan, and Saudi Arabia. The State Department report on international terrorism for 2008 released April 30, 2009, again stated (as it has for more than a decade) that Iran “remained the most active state sponsor of terrorism” in 2008, and it again attributed the terrorist activity primarily to the Qods Force of the Revolutionary Guard. The report focused particular attention on Iran’s lethal support to Shiite militias in Iraq as well as on shipments to and training of “selected” Taliban fighters in Afghanistan.<sup>31</sup> On October 27, 2008, the deputy commander of the Basij became the first top Guard leader to publicly acknowledge that Iran supplies weapons to “liberation armies” in the region, a reference to pro-Iranian movements discussed below. The appointment of Brig. Gen. Ahmad Vahidi, the former Qods Forces commander, as Defense Minister in September 2009 (who got the highest number of Majles votes for his confirmation) caused concern in some neighboring states.

Some experts believe that Iran has been ascendant in the region because of the installation of pro-Iranian regimes in Iraq and Afghanistan, and the strength of Hezbollah in Lebanon and Hamas in Gaza. Iran might, according to this view, seek to press its advantage to strengthen regional Shiite movements and possibly drive the United States out of the Gulf. During a visit to the Middle East in March 2009, Secretary of State Clinton said, after meeting with several Arab and Israeli leaders in the region, that “There is a great deal of concern about Iran from this whole region.”

Others reach an opposite conclusion, stating that Iran now feels more encircled than ever by pro-U.S. regimes. Elections in Lebanon in 2009 that boosted pro-U.S. factions, U.S. engagement with Syria, stability in Iraq, and an influx of U.S. troops to Afghanistan have rendered Iran weaker than it has been in recent years.

## **Relations with the Persian Gulf States**

The Persian Gulf monarchy states (Gulf Cooperation Council, GCC: Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates) fear the strategic influence of Iran but they do not openly support U.S. conflict with Iran that might cause Iran to retaliate against Gulf state targets. The Gulf states privately welcome Iran’s postelection turmoil because it means that Iran might be strategically weakened and consumed by internal infighting. However, there is concern in the Gulf that Iran might assert itself in the region to focus public attention outside Iran. Commercial relations between the Gulf states and Iran are normal, and several of the Gulf states, particularly Kuwait and UAE, have excess oil refining capacity and sell gasoline to Iran.

Since the mid-1990s, Iran has tried to blunt Gulf state fears of Iran by curtailing activity, conducted during the 1980s and early 1990s, to sponsor Shiite Muslim extremist groups in these states, all of which are run by Sunni governments. Iran found, to its detriment, that such activity caused the Gulf states to ally closely with the United States. In part to counter Iran’s perceived growing influence in the Gulf, in December 2006 the summit of the GCC leaders announced that the GCC states might jointly study their own development of “peaceful nuclear technology.” On the other hand, seeking to avoid further tensions with Iran, the GCC leaders invited Ahmadinejad to speak at the December 2007 summit of the GCC leaders in Doha, Qatar, marking the first time an Iranian president had been invited since the GCC was formed in 1981. His speech reiterated a consistent Iranian theme that the Gulf countries, including Iran, should set up their own security

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<sup>31</sup> U.S. Department of State. *Country Reports on Terrorism 2008*. Released April 30, 2009. <http://www.state.gov/s/ct/rls/crt/2008/index.htm>

structure without the help of “outside powers” but also called for a “new chapter” in Iran-GCC relations.

- *Saudi Arabia.* Many observers closely watch the relationship between Iran and Saudi Arabia because of Saudi alarm over the emergence of a pro-Iranian government in Iraq and Iran’s nuclear program. Saudi Arabia sees itself as leader of the Sunni Muslim world and views Shiite Muslims as heretical and disloyal internally. However, the Saudis, who do not want a repeat of Iran’s sponsorship of disruptive and sometimes violent demonstrations at annual Hajj pilgrimages in Mecca in the 1980s and 1990s—or an increase in Iranian support for Saudi Shiite dissidents—are receptive to easing tensions with Iran. The Saudis continue to blame a pro-Iranian movement in the Kingdom, Saudi Hezbollah, for the June 25, 1996, Khobar Towers housing complex bombing, which killed 19 U.S. airmen.<sup>32</sup> After restoring relations in December 1991 (after a four-year break), Saudi-Iran ties progressed to high-level contacts during Khatemi’s presidency, including Khatemi visits in 1999 and 2002, and Ahmadinejad has visited on several occasions.
- *United Arab Emirates (UAE)* concerns about Iran never fully recovered from the April 1992 Iranian expulsion of UAE security forces from the Persian Gulf island of Abu Musa, which it and the UAE shared under a 1971 bilateral agreement. (In 1971, Iran, then ruled by the U.S.-backed Shah, seized two other islands, Greater and Lesser Tunb, from the emirate of Ras al-Khaymah, as well as part of Abu Musa from the emirate of Sharjah.) In general, the UAE (particularly the federation capital, Abu Dhabi, backs U.S. efforts to dissuade Iran from developing its nuclear capability through international sanctions. Abu Dhabi generally takes a harder line against Iran than does the emirate of Dubai, which has an Iranian-origin resident community as large as 300,000 and business ties to Iran). On the islands dispute, the UAE wants to refer the dispute to the International Court of Justice (ICJ). Iran insists on resolving the issue bilaterally. The UAE formally protested Iran’s setting up of a maritime and ship registration office on Abu Musa in July 2008. The United States supports UAE proposals but takes no formal position on sovereignty. Still seeking to avoid antagonizing Iran, in May 2007 the UAE received Ahmadinejad (the highest level Iranian visit since the 1979 revolution) and allowed him to lead an anti-U.S. rally of a reported several hundred Iranian-origin residents of Dubai at a soccer stadium there.
- *Qatar*, like most of the other Gulf states, does not seek confrontation and seeks to accommodate some of its interests, yet Qatar remains wary that Iran might eventually seek to encroach on its large North Field (natural gas). It shares that field with Iran (called South Pars on Iran’s side) and Qatar earns large revenues from natural gas exports from it. Qatar’s fears were heightened on April 26, 2004, when Iran’s deputy Oil Minister said that Qatar is probably producing more gas than “her right share” from the field and that Iran “will not allow” its

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<sup>32</sup> Walsh, Elsa. “Annals of Politics: Louis Freeh’s Last Case.” *The New Yorker*, May 14, 2001. The June 21, 2001, federal grand jury indictments of 14 suspects (13 Saudis and a Lebanese citizen) in the Khobar bombing indicate that Iranian agents may have been involved, but no indictments of any Iranians were announced. In June 2002, Saudi Arabia reportedly sentenced some of the eleven Saudi suspects held there. The 9/11 Commission final report asserts that Al Qaeda might have had some as yet undetermined involvement in the Khobar Towers attacks.

wealth to be used by others. Possibly to try to ease such implied threats, Qatar invited Ahmadinejad to the December 2007 GCC summit there.

- *Bahrain* is about 60% Shiite, many of whom are of Persian origin, but its government is dominated by the Sunni Muslim Al Khalifa family. In 1981 and again in 1996, Bahrain publicly accused Iran of supporting Bahraini Shiite dissidents (the Islamic Front for the Liberation of Bahrain, Bahrain-Hezbollah, and other Bahraini dissident groups) in efforts to overthrow the ruling Al Khalifa family. Bahraini fears that Iran would try to interfere in Bahrain's November 25, 2006, parliamentary elections by providing support to Shiite candidates did not materialize, although the main Shiite opposition coalition won 18 out of the 40 seats of the elected body. Tensions have flared several times since July 2007 when Iranian editorialists asserted that Bahrain is part of Iran—that question was the subject of the 1970 U.N.-run referendum in which Bahrainis opted for independence. The issue flared again after a February 20, 2009, statement by Ali Akbar Nateq Nuri, an adviser to Khamene'i, that Bahrain was at one time an Iranian province. The statement caused major criticism of Iran throughout the region, and contributed to a decision by Morocco to break relations with Iran. Still, Bahrain has sought not to antagonize Iran and has apparently allowed Iran's banks to establish a presence in Bahrain's vibrant banking sector. On March 12, 2008, the Treasury Department sanctioned the Bahrain-based Future Bank under Executive order 13382 that sanctions proliferation entities. Future Bank purportedly is controlled by Bank Melli. The bank remains in operation.
- *Oman*. Of the GCC states, the Sultanate of Oman is closest politically to Iran and has refused to ostracize or even harshly criticize Iranian policies. Some press reports say local Omani officials routinely turn a blind eye to or even cooperate in the smuggling of western goods to Iran. Sultan Qaboos made a state visit to Iran in August 2009, coinciding with the inauguration of Ahmadinejad.

## Iranian Policy in Iraq

The U.S. military ousting of Saddam Hussein benefitted Iran strategically,<sup>33</sup> and during 2004-2008, U.S.-Iran differences in Iraq widened to the point where some were describing the competition as a U.S.-Iran "proxy war" inside Iraq. The acute source of tension was evidence, detailed on several occasions by U.S. commanders in Iraq, that the *Qods* Force was providing arms (including highly lethal "explosively forced projectiles," EFPs, which have killed U.S. soldiers), training, guidance, and financing to Shiite militias involved in sectarian violence.

However, recent Defense Department reports on Iraq stability—most recently in September 2009—corroborate a widespread perception that Iranian interference in Iraq has lessened, including fewer Iranian weapons shipments. In Iraq itself, the Shiite militias and political parties that benefit most from Iranian support fared poorly in the January 31, 2009, provincial elections in Iraq, and the results were viewed as a setback for Iran's influence in Iraq. One Shiite militia, Asa'ib al Haq (League of the Righteous) has reconciled with the government and its leaders (Khazali brothers) have been released from U.S. custody. Iran was unable to derail the U.S.-Iraq defense pact (which took effect January 1, 2009). In January 2009, Iraqi Prime Minister Nuri al-

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<sup>33</sup> This issue is covered in greater depth in CRS Report RS22323, *Iran's Activities and Influence in Iraq*, by Kenneth Katzman.

Maliki visited Iran for the fourth time since he became Prime Minister, reportedly to assure Iran that the pact did not threaten Iran.

Iran also has signed a number of agreements with Iraq on transportation, energy cooperation, free flow of Shiite pilgrims, border security, intelligence sharing, and other cooperation; several more agreements, including a \$1 billion credit line for Iranian exports to Iraq, were signed during Ahmadinejad's March 2-3, 2008, visit to Iraq; implementing agreements were signed in April 2008. The two countries now do about \$4 billion in bilateral trade.

After at first rejecting dialogue with Iran on the Iraq issue, the George W. Bush Administration supported and attended several regional conferences on Iraq, attended by Iran, and undertook bilateral talks with Iran on the Iraq issue. Several meetings were held in Baghdad in 2007, with no concrete results, according to former Ambassador to Iraq Crocker, who led the U.S. side at the talks. A round of talks was tentatively scheduled for December 18, 2007, but Iran repeatedly postponed them because of differences over the agenda and the level of talks (Iran wanted them to be at the ambassador level). On May 5, 2008, Iran indefinitely suspended this dialogue, and, in February 2009, Iran said there was no need to resume it.

A provision of the FY2008 defense authorization bill (P.L. 110-181) required a report to Congress on Iran's interference in Iraq. On several occasions since January 2008, the Treasury Department has taken action against suspected Iranian and pro-Iranian operatives in Iraq by designating individuals and organizations as a threat to stability in Iraq under the July 17, 2007, Executive Order 13438, which freezes the assets and bans transactions with named individuals. The named entities, which includes a senior Qods Forces leader, are in the tables on sanctioned entities in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman. On July 2, 2009, a pro-Iranian militia offshoot, Khata'ib Hezbollah (Hezbollah Battalions) was named under the order, and was also designated a Foreign Terrorist Organization (FTO) under the Immigration and Naturalization Act. On July 9, 2009, the United States military turned over to Iraqi custody five Iranian Qods Forces operatives (Iran claims they are diplomats) arrested in 2007 in Irbil, northern Iraq. The men returned to Iran.

## **Supporting Palestinian Militant Groups**

Iran's support for Palestinian militant groups has long concerned U.S. Administrations, as part of an apparent effort by Tehran to obstruct an Israeli-Palestinian peace, which Iran believes would strengthen the United States and Israel. Ahmadinejad's various statements on Israel were discussed above, although Supreme Leader Khamene'i has repeatedly called Israel a "cancerous tumor." He used that term again during a March 4, 2009, press conference in Tehran. In December 2001, Rafsanjani said that it would take only one Iranian nuclear bomb to destroy Israel, whereas a similar strike against Iran by Israel would have far less impact because Iran's population is large.

Iran has hosted numerous conferences to which anti-peace process terrorist organizations were invited (for example: April 24, 2001, and June 2-3, 2002). During his presidency, Khatemi also issued sharp criticisms and recriminations against Israel, but he also conversed with Israel's president at the 2005 funeral of Pope John Paul II. The formal position of the Iranian Foreign Ministry, considered a bastion of moderates, is that Iran would not seek to block an Israeli-Palestinian settlement but that the peace process is too weighted toward Israel to result in a fair settlement.



## **Iran and Hamas**

The State Department report on terrorism for 2007 (mentioned above) again accused Iran of providing “extensive” funding, weapons, and training to Hamas, Palestinian Islamic Jihad (PIJ), the Al Aqsa Martyr’s Brigades, and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC). All are named as foreign terrorist organizations (FTO) by the State Department for their use of violence to undermine the Arab-Israeli peace process. Some saw Iran’s regional policy further strengthened by Hamas’s victory in the January 25, 2006, Palestinian legislative elections, and even more so by Hamas’s June 2007 armed takeover of the Gaza Strip. The Hamas gains potentially positioned it to block any peace settlement with Israel. Hamas activists downplay Iranian influence on them, asserting that Iran is mostly Shiite, while Hamas members are Sunni Muslims.<sup>34</sup> Hamas was reputed to receive about 10% of its budget in the early 1990s from Iran, although since then Hamas has cultivated funding from wealthy Persian Gulf donors and supporters in Europe and elsewhere.

Still, it was evident from the December 27, 2008-January 17, 2009, Israel-Hamas war in Gaza, that Iran provides material support to Hamas. Joint Chiefs Chairman Adm. Mike Mullen said on January 27, 2009, that the United States boarded but did not seize a ship carrying light arms to Hamas from Iran; the ship (the *Monchegorsk*) later went to Cyprus. On March 11, 2009, a U.N. committee monitoring Iran’s compliance with Resolution 1747, which bans Iranian arms exports, said Iran might have violated that resolution with the alleged shipment. Hamas appeared to corroborate allegations of Iranian weapons supplies when its exiled leader, Khaled Meshal, on February 1, 2009, publicly praised Iran for helping Hamas achieve “victory” over Israel in the conflict.<sup>35</sup> On December 29, 2008, Khamene’i said that Muslims worldwide were “duty-bound” to defend Palestinians in the Gaza Strip against the Israeli offensive against the Hamas-run leadership there, but the Iranian leadership did not attempt to send Iranian volunteers to Gaza to fight on Hamas’ behalf. Iranian weaponry might also have been the target of a January 2009 strike on a weapons delivery purportedly bound for Gaza in transit via Sudan (presumably via Egypt).

Sunni Arab leaders in Egypt, Jordan, Saudi Arabia, and throughout the region apparently fear Iran’s reported attempts to discredit these leaders for what Iran considers insufficient support for Hamas in its recent war with Israel. Some Iranian efforts reportedly involve establishing Hezbollah cells in some of these countries, particularly Egypt, purportedly to stir up opposition to these governments and build public support for Hezbollah and Hamas.<sup>36</sup> These countries are also said to fear that President Obama’s outreach to Iran might lead the United States to downplay their concerns about Iran—a sentiment that Secretary of Defense Gates tried to allay during his visit to the Middle East in May 2009.

## **Lebanese Hezbollah and Syria**

Iran has maintained a close relationship with Hezbollah since the group was formed in 1982 by Lebanese Shiite clerics who were sympathetic to Iran’s Islamic revolution and belonged to the Lebanese Da’wa Party. Hezbollah was responsible for several acts of anti-U.S. and anti-Israel

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<sup>34</sup> CNN “Late Edition” interview with Hamas co-founder Mahmoud Zahar, January 29, 2006.

<sup>35</sup> Hamas Leader Praises Iran’s Help in Gaza ‘Victory.’ CNN.com. February 1, 2009.

<sup>36</sup> Slackman, Michael. “Egypt Accuses Hezbollah of Plotting Attacks in Sinai and Arms Smuggling to Gaza.” New York Times, April 14, 2009

terrorism in the 1980s and 1990s.<sup>37</sup> Hezbollah's attacks on Israeli forces in southern Lebanon contributed to an Israeli withdrawal in May 2000, but, despite United Nations certification of Israel's withdrawal, Hezbollah maintained military forces along the border. Hezbollah continued to remain armed and outside Lebanese government control, despite U.N. Security Council Resolution 1559 (September 2, 2004) that required its dismantlement. In refusing to disarm, Hezbollah says it was resisting Israeli occupation of some Lebanese territory (Shib'a Farms).

Although Iran likely did not instigate Lebanese Hezbollah to provoke the July-August 2006 war, Iran has long been its major arms supplier. Hezbollah fired Iranian-supplied rockets on Israel's northern towns during the fighting. Reported Iranian shipments to Hezbollah prior to the conflict included the "Fajr" (dawn) and Khaybar series of rockets that were fired at the Israeli city of Haifa (30 miles from the border), and over 10,000 Katyusha rockets that were fired at cities within 20 miles of the Lebanese border.<sup>38</sup> Iran also supplied Hezbollah with an unmanned aerial vehicle (UAV), the *Mirsad*, which Hezbollah briefly flew over the Israel-Lebanon border on November 7, 2004, and April 11, 2005; at least three were shot down by Israel during the conflict. On July 14, 2006, Hezbollah apparently hit an Israeli warship with a C-802 sea-skimming missile probably provided by Iran. (See **Table 5** above for information on Iran's acquisition of that weapon from China.) Iran also purportedly provided advice during the conflict; about 50 Revolutionary Guards Qods Force personnel were in Lebanon (down from about 2,000 when Hezbollah was formed, according to a *Washington Post* report of April 13, 2005) when the conflict began; that number might have increased during the conflict to help Hezbollah operate the Iran-supplied weaponry. In November 2009, Israel intercepted a ship that it asserted was carrying 500 tons of arms purportedly for Hezbollah.

Even though Hezbollah reduced its overt military presence in southern Lebanon in accordance with the conflict-related U.N. Security Council Resolution 1701 (July 31, 2006), Hezbollah was perceived as a victor in the war for holding out against heavy Israeli air-strikes and some ground action. Iran supported Hezbollah's demands and provided it with leverage by resupplying it, after the hostilities, with 27,000 rockets, more than double what Hezbollah had at the start of the 2006 war.<sup>39</sup> Among the post-war deliveries were 500 Iranian-made "Zelzal" (Earthquake) missiles with a range of 186 miles, enough to reach Tel Aviv from south Lebanon. Iran also made at least \$150 million available for Hezbollah to distribute to Lebanese citizens (mostly Shiite supporters of Hezbollah) whose homes were damaged in the Israeli military campaign.<sup>40</sup> The State Department terrorism report for 2008, referenced above, specifies Iranian aid to Hezbollah as exceeding \$200 million in 2008, and says that Iran trained over 3,000 Hezbollah fighters in Iran during the year.

Neither Israel nor the United States opposed Hezbollah's progressively increased participation in peaceful Lebanese politics. In March 2005, President George W. Bush indicated that the United States might accept Hezbollah as a legitimate political force in Lebanon if it disarms. In the

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<sup>37</sup> Hezbollah is believed responsible for the October 1983 bombing of the U.S. Marine barracks in Beirut, as well as attacks on U.S. Embassy Beirut facilities in April 1983 and September 1984, and for the hijacking of TWA Flight 847 in June 1985 in which Navy diver Robert Stetham was killed. Hezbollah is also believed to have committed the March 17, 1992, bombing of Israel's embassy in that city, which killed 29 people. Its last known terrorist attack outside Lebanon was the July 18, 1994, bombing of a Jewish community center in Buenos Aires, which killed 85. On October 31, 2006, Argentine prosecutors asked a federal judge to seek the arrest of Rafsanjani, former Intelligence Minister Ali Fallahian, former Foreign Minister Ali Akbar Velayati, and four other Iranian officials for this attack.

<sup>38</sup> "Israel's Peres Says Iran Arming Hizbollah." Reuters, February 4, 2002.

<sup>39</sup> Rotella, Sebastian. "In Lebanon, Hezbollah Arms Stockpile Bigger, Deadlier." *Los Angeles Times*, May 4, 2008.

<sup>40</sup> Shadid, Anthony. "Armed With Iran's Millions, Fighters Turn to Rebuilding." *Washington Post*, August 16, 2006.



Lebanese parliamentary elections of May–June 2005, Hezbollah expanded its presence in the parliament to 14 out of the 128-seat body, and it gained two cabinet seats. In mid May 2008, Hezbollah, for the first time ever, used its militia wing for domestic purposes. Its fighters took over large parts of Beirut in response to an attempt by the U.S. and Saudi-backed Lebanese government to curb Hezbollah's media and commercial operations. The success of its fighters contributed to a Qatar-brokered settlement on May 21, 2008, in which the majority coalition agreed to give Hezbollah and its allies enough seats in a new cabinet (one Hezbollah cabinet seat and seven allies holding cabinet seats as well) to be able to veto government decisions. Hezbollah agreed to the compromise candidate of Lebanese Army commander Michel Suleiman to become president.

Based on the strength, Hezbollah was viewed as a likely winner in June 7, 2009, parliamentary elections in Lebanon. However, its coalition won 57 seats in the elections, failing to overturn the majority of the pro-U.S. factions led by Sa'd al-Hariri, son of assassinated leader Rafiq Hariri, which won 71 seats (one more than they had previously). A new cabinet was formed in November 2009, but Hezbollah's political strength in that government was reduced only slightly compared to the pre-election government. Nonetheless, the election defeat for Hezbollah allies set back Tehran's regional influence. As a matter of policy, the United States does not meet with any Hezbollah members, even those in the parliament or cabinet. Hezbollah is a designated FTO, but that designation bars financial transactions with the group and does not specifically ban meeting members of the group.

## **Syria**

Iran's support for Hezbollah is linked in many ways to its alliance with Syria. Syria is the transit point for the Iranian weapons shipments to Hezbollah and both countries see Hezbollah as leverage against Israel to achieve their regional and territorial aims. In order to preserve its links to Syria, which is one of Iran's few real allies, Iran purportedly has acted as an intermediary with North Korea to supply Syria with various forms of WMD and missile technology. Some see Israel-Syria negotiations—and recent Obama Administration engagement with Syria—as means to wean Syria away from its alliance with Iran. However, Iran is a major investor in the Syrian economy, which attracts very little western investment, and some believe the Iran-Syria alliance is not easily severed. On December 13, 2009, the Syrian and Iranian defense ministers signed a defense agreement to “face common enemies and challenges.”

## **Central Asia and the Caspian**

Iran's policy in Central Asia has thus far emphasized Iran's rights to Caspian Sea resources, particularly against Azerbaijan. That country's population, like Iran's, is mostly Shiite Muslim, but its leadership is secular. In addition, Azerbaijan is ethnically Turkic, and Iran fears that Azerbaijan nationalists might stoke separatism among Iran's large Azeri Turkic population, which demonstrated some unrest in 2006. These factors could explain why Iran has generally tilted toward Armenia, which is Christian, even though it has been at odds with Azerbaijan over territory and control of ethnic Armenians. In July 2001, Iranian warships and combat aircraft threatened a British Petroleum (BP) ship on contract to Azerbaijan out of an area of the Caspian that Iran considers its own. The United States called that action provocative, and it is engaged in border security and defense cooperation with Azerbaijan directed against Iran (and Russia). The United States successfully backed construction of the Baku-Tblisi-Ceyhan oil pipeline, intended in part to provide alternatives to Iranian oil. Along with India and Pakistan, Iran has been given

observer status at the Central Asian security grouping called the Shanghai Cooperation Organization (SCO—Russia, China, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan). In April 2008, Iran applied for full membership in the organization, which opposes a long-term U.S. presence in Central Asia.

## **Afghanistan and Pakistan<sup>41</sup>**

Iran is viewed by U.S. officials as pursuing a multi-track strategy—attempting to help develop Afghanistan and enhance its influence there, while also building leverage against the United States by arming anti-U.S. militant groups. Iran is particularly interested in restoring some of its traditional sway in eastern, central, and northern Afghanistan where Persian-speaking Afghans predominate. Iran may want to be in position to threaten the air base at Shindand, in Herat Province, which is now used by U.S. and allied forces and which Iran believes could be used for surveillance of or strikes on Iran.

The State Department terrorism report for 2008 again accused the Qods Force of supplying various munitions, including 107mm rockets, to Taliban and other militants in Afghanistan; some Taliban commanders openly say they are obtaining Iranian weapons. The 2008 reports also, and for the first time, accuses Iran of training Taliban fighters in small unit tactics, small arms use, explosives, and indirect weapons fire. Among specific shipments noted by the United States: on April 17, 2007, U.S. military personnel in Afghanistan captured a shipment of Iranian weapons that purportedly was bound for Taliban fighters. On several occasions in 2007, NATO officers said they directly intercepted Iranian shipments of heavy arms, C4 explosives, and advanced roadside bombs (explosively forced projectiles, or EFPs, such as those found in Iraq) to Taliban fighters in Afghanistan. U.S. commanders in Afghanistan maintain that the intercepted shipments are large enough that the Iranian government would have to have known about them. U.S. and Afghan officials say the shipments continue, but are not consistent or necessarily decisive in the Afghanistan war.

These shipments and contacts have caused debate over Iran's goals because Iran long opposed the regime of the Taliban in Afghanistan on the grounds that it oppressed Shiite Muslim and other Persian-speaking minorities. Iran nearly launched a military attack against the Taliban in September 1998 after Taliban fighters captured and killed nine Iranian diplomats based in northern Afghanistan, and Iran provided military aid to the Northern Alliance factions. During the major combat phase of the post-September 11 U.S.-led war in Afghanistan, Iran offered search and rescue of any downed service persons and the transshipment to Afghanistan of humanitarian assistance. Iran and U.S. diplomats were in continuous contact in forging a post-Taliban government in Afghanistan at the December 2001 "Bonn Conference." In March 2002, Iran expelled Gulbuddin Hikmatyar, an Afghan militant leader; it froze his assets in January 2005.

After 2004, Iran's influence waned somewhat as Northern Alliance figures were marginalized in Afghan politics. To build financial and alternative political influence in Afghanistan, Iran has funded projects that total about \$1.2 billion million since 2001 (close to a pledged amount in international donors conferences), mostly in neighboring Herat but also in Kabul (Shiite theological seminaries there). Afghan officials and observers in Herat Province say Iran's influence is substantial there but not necessarily against the Afghan government.<sup>42</sup> Iran's

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<sup>41</sup> See CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

<sup>42</sup> Conversations with observers and officials in Herat during CRS visit there. October 2009.

construction of Shiite mosques and seminaries could indicate Iran is trying to support Afghanistan's Shiite (Hazara tribe) minority, and Iran has funded several media outlets in Afghanistan catering to Shiites.

At the same time, some commanders, including CENTCOM Commander Gen. David Petraeus, have said that U.S. engagement with Iran on Afghanistan might help U.S. stabilization efforts there. Others say that working with Iran on Afghanistan might help build a broader understanding with Iran on other issues, including the nuclear issue.

Perhaps in recognition of Iran's role in Afghanistan, or as part of a broader effort to build dialogue with Iran, the United States invited Iran to an international conference on Afghanistan held in the Netherlands on March 31, 2009. Iran's representatives there had a brief side exchange there with U.S. special representative for Afghanistan and Pakistan Ambassador Richard Holbrooke. At the meeting, Iran pledged cooperation on preventing drug smuggling out of Afghanistan and in helping economically develop that country.

## **Pakistan**

Iran's relations with Pakistan have been partly a function of events in Afghanistan, although relations have worsened somewhat in late 2009 as Iran has accused Pakistan of supporting Sunni Muslim rebels in Iran's Baluchistan region. These Sunni guerrillas have conducted a number of attacks on Iranian regime targets in 2009, as discussed above ("Jundullah").

Iran had a burgeoning military cooperation with Pakistan in the early 1990s, and as noted Iran's nuclear program benefitted from the A.Q. Khan network. However, Iran-Pakistan relations became strained in the 1990s when Pakistan was supporting the Taliban in Afghanistan, which committed alleged atrocities against Shiite Afghans (Hazara tribe), and which seized control of Persian-speaking areas of Afghanistan. Currently, Iran remains suspicious that Pakistan might want to again implant the Taliban in power in Afghanistan—and Iran itself is aiding the Taliban to some extent—but Iran and Pakistan now have a broad agenda that includes a potential major gas pipeline project, discussed further below.

## **Al Qaeda**

Iran is not a natural ally of Al Qaeda, largely because Al Qaeda is an orthodox Sunni Muslim organization. However, some experts believe that hardliners in Iran might want to use Al Qaeda activists as leverage against the United States and its allies. Some say Iran might want to exchange them for a U.S. hand-over of PMOI activists under U.S. control in Iraq. The 9/11 Commission report said several of the September 11 hijackers and other plotters, possibly with official help, might have transited Iran, but the report does not assert that the Iranian government cooperated with or knew about the plot. Another bin Laden ally, Abu Musab al-Zarqawi, killed by U.S. forces in Iraq on June 7, 2006, reportedly transited Iran after the September 11 attacks and took root in Iraq, becoming an insurgent leader there.

However, Iran might see possibilities for tactical alliance with Al Qaeda. Iran asserted on July 23, 2003, that it had "in custody" senior Al Qaeda figures. On July 16, 2005, Iran's Intelligence

Minister said that 200 Al Qaeda members are in Iranian jails.<sup>43</sup> U.S. officials have said since January 2002 that Iran has not prosecuted or extradited any senior Al Qaeda operatives. The three major Al Qaeda figures believed to have been in Iran include spokesman Sulayman Abu Ghaith, top operative Sayf Al Adl, and Osama bin Laden's son, Saad.<sup>44</sup> although some U.S. officials said in January 2009 that Saad bin Laden might have left Iran and could be in Pakistan. That information was publicized a few days after the Treasury Department (on January 16, 2009) designated four Al Qaeda operatives in Iran, including Saad bin Laden (and three lesser known figures) as terrorist entities under Executive Order 13224. (U.S. officials blamed Saad bin Laden, Adl, and Abu Ghaith for the May 12, 2003, bombings in Riyadh, Saudi Arabia, against four expatriate housing complexes on these operatives, saying they have been able to contact associates outside Iran.<sup>45</sup>) Saad bin Laden was subsequently said to have possibly been killed in a U.S. air strike against Al Qaeda locations in Pakistan, although there has been no confirmation of that.

In December 2009, Iran's Foreign Minister confirmed that a teenage daughter of Osama bin Laden had sought refuge in the Saudi embassy in Tehran—the first official confirmation that members of bin Laden's family have been in Iran. Other family members are said to have been living in a compound in Iran since the September 11, 2001, attacks. Some family members have said the young bin Ladens have never been affiliated with Al Qaeda.

## Latin America

A growing concern has been Iran's developing relations with countries and leaders in Latin America considered adversaries of the United States, particularly Cuba and Venezuela's Hugo Chavez. Ahmadinejad made a high profile visit to five Latin American countries in November 2009, including Brazil but also including, as expected, Venezuela. On January 27, 2009, Secretary of Defense Gates said Iran was trying to build influence in Latin America by expanding front companies and opening offices in countries there. Recent State Department terrorism reports have said that Cuba maintains "close relationships with other state sponsors of terrorism such as Iran." Iran has offered Bolivia \$1 billion in aid and investment, according to an *Associated Press* report of November 23, 2008.

Chavez has visited Iran on several occasions, offering Iran additional gasoline during Iran's fuel shortages in 2007 as well as joint oil and gas projects. A firm deal for Petroleos de Venezuela to supply Iran with gasoline was signed in September 2009, apparently in a joint effort to circumvent any potential worldwide ban on sales of gasoline to Iran. The two countries have established direct air links, and 400 Iranian engineers have reportedly been sent to Venezuela to work on infrastructure projects there. However, many accounts say that most of the agreements between Iran and Venezuela are agreements in principle that have not been implemented in reality. On October 30, 2007, then Secretary of Homeland Security Michael Chertoff said that Iran's relationship with Venezuela is an emerging threat because it represents a "marriage" of Iran's extremist ideology with "those who have anti-American views."

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<sup>43</sup> "Tehran Pledges to Crack Down on Militants." *Associated Press*, July 18, 2005.

<sup>44</sup> Gertz, Bill. "Al Qaeda Terrorists Being Held by Iran." *Washington Times*, July 24, 2003.

<sup>45</sup> Gertz, Bill. "CIA Points to Continuing Iran Tie to Al Qaeda." *Washington Times*, July 23, 2004.

## India

Iran and India have cultivated good relations with each other in order to enable each to pursue its own interests and avoid mutual conflict. The two backed similar anti-Taliban factions in Afghanistan during 1996-2001 and have a number of mutual economic and even military-to-military relationships and projects, discussed further in CRS Report RS22486, *India-Iran Relations and U.S. Interests*, by K. Alan Kronstadt and Kenneth Katzman.

One aspect of the relationship involves not only the potential building of a natural gas pipeline from Iran, through Pakistan, to India, but also the supplies of gasoline to Iran. A key supplier is Reliance Industries Ltd., which by some accounts supplies up to 40% of Iran's imports of gasoline. In December 2008, some Members of Congress expressed opposition to a decision by the Export-Import Bank to provide up to \$900 million in loan guarantees to Reliance, because of its gasoline sales to Iran. A provision of H.R. 3081, a FY2010 foreign aid appropriation, would end provision of such export credits to companies that sell gasoline to Iran. Another source of U.S. concern has been visits to India by some Iranian naval personnel.

## Africa

Some Members of Congress are concerned that Iran is support radical Islamist movements in Africa. In the 111<sup>th</sup> Congress, H.Con.Res. 16 cites Hezbollah for engaging in raising funds in Africa by trafficking in "conflict diamonds." Iran also might have supplied Islamists in Somalia with anti-aircraft and anti-tank weaponry. The possible transfer of weaponry to Hamas via Sudan was discussed above.

## U.S. Policy Responses, Options, and Legislation

The February 11, 1979, fall of the Shah of Iran, a key U.S. ally, opened the long and deep rift in U.S.-Iranian relations. On November 4, 1979, radical "students" seized the U.S. Embassy in Tehran and held its diplomats hostage until minutes after President Reagan's inauguration on January 20, 1981. The United States broke relations with Iran on April 7, 1980 (just after the failed U.S. military attempt to rescue the hostages) and the two countries had only limited official contact thereafter.<sup>46</sup> The United States tilted toward Iraq in the 1980-1988 Iran-Iraq war, including U.S. diplomatic attempts to block conventional arms sales to Iran, providing battlefield intelligence to Iraq<sup>47</sup> and, during 1987-1988, direct skirmishes with Iranian naval elements in the course of U.S. efforts to protect international oil shipments in the Gulf from Iranian mines and other attacks. In one battle on April 18, 1988 ("Operation Praying Mantis"), Iran lost about a quarter of its larger naval ships in a one-day engagement with the U.S. Navy, including one frigate sunk and another badly damaged. Iran strongly disputed the U.S. assertion that the July 3,

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<sup>46</sup> An exception was the abortive 1985-1986 clandestine arms supply relationship with Iran in exchange for some American hostages held by Hezbollah in Lebanon (the so-called "Iran-Contra Affair"). Iran has an interest section in Washington D.C. under the auspices of the Embassy of Pakistan; it is staffed by Iranian-Americans. The U.S. interest section in Tehran has no American personnel; it is under the Embassy of Switzerland.

<sup>47</sup> Sciolino, Elaine. *The Outlaw State: Saddam Hussein's Quest for Power and the Gulf Crisis*. New York: John Wiley and Sons, 1991. p. 168.

1988, U.S. shoot-down of Iran Air Flight 655 by the *U.S.S. Vincennes* over the Persian Gulf (bound for Dubai, UAE) was an accident.

In his January 1989 inaugural speech, President George H.W. Bush laid the groundwork for a rapprochement, saying that, in relations with Iran, “goodwill begets goodwill,” implying better relations if Iran helped obtain the release of U.S. hostages held by Hezbollah in Lebanon. Iran reportedly did assist in obtaining their releases, which was completed in December 1991, but no thaw followed, possibly because Iran continued to back groups opposed to the U.S.-sponsored Middle East peace process, a major U.S. priority.

## **Policy During the Clinton and George W. Bush Administrations**

Upon taking office in 1993, the Clinton Administration moved to further isolate Iran as part of a strategy of “dual containment” of Iran and Iraq. In 1995 and 1996, the Clinton Administration and Congress added sanctions on Iran in response to growing concerns about Iran’s weapons of mass destruction, its support for terrorist groups, and its efforts to subvert the Arab-Israeli peace process. The election of Khatemi in May 1997 precipitated a U.S. shift toward engagement; the Clinton Administration offered Iran official dialogue, with no substantive preconditions. In January 1998, Khatemi publicly agreed to “people-to-people” U.S.-Iran exchanges as part of his push for “dialogue of civilizations, but he ruled out direct talks. In a June 1998 speech, then Secretary of State Albright called for mutual confidence building measures that could lead to a “road map” for normalization. Encouraged by the reformist victory in Iran’s March 2000 *Majles* elections, Secretary Albright, in a March 17, 2000, speech, acknowledged past U.S. meddling in Iran, announcing some minor easing of the U.S. trade ban with Iran, and promised to try to resolve outstanding claims disputes. In September 2000 U.N. “Millennium Summit” meetings, Albright and President Clinton sent a positive signal to Iran by attending Khatemi’s speeches.

## **George W. Bush Administration Policy**

The George W. Bush Administration policy priority was to prevent Iran from obtaining a nuclear weapons capability, believing that a nuclear Iran would be even more assertive in attempting to undermine U.S. objectives in the Middle East than it already is. The George W. Bush Administration undertook multi-faceted efforts to limit Iran’s strategic capabilities through international diplomacy and sanctions—both international sanctions as well as sanctions enforced by its allies, outside Security Council mandate. At the same time, the Administration engaged in bilateral diplomacy with Iran on specific priority issues, such as Afghanistan and Iraq. The policy framework was supported by maintenance of a large U.S. conventional military capabilities in the Persian Gulf and through U.S. alliances with Iran’s neighbors.

At times, the George W. Bush Administration considered or pursued more assertive options. Some Administration officials, reportedly led by Vice President Cheney, believed that policy should focus on using the leverage of possible military confrontation with Iran or on U.S. efforts to change Iran’s regime.<sup>48</sup> Legislation in the 110<sup>th</sup> Congress indicated support for steps to compel other foreign companies to curtail business dealings with Iran.<sup>49</sup>

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<sup>48</sup> Cooper, Helene and David Sanger. “Strategy on Iran Stirs New Debate at White House.” *New York Times*, June 16, 2007.

<sup>49</sup> The FY2007 defense authorization law (P.L. 109-364) called for a report by the Administration on all aspects of U.S. (continued...)



## **Overview of Obama Administration Policy**

President Obama came into office articulating a policy of engagement with Iran as a means of persuading it to verifiably limit its nuclear program to purely peaceful uses and to curb Iran's propensity to fund and arm militant movements in the region. The policy is undergoing evolution as Iran has cracked down on democracy protesters and refused to accept proposals to limit its nuclear program. He said in his inaugural speech that the United States would be responsive to an Iranian "unclenched fist," and that the Administration would pursue consistent and broad direct diplomacy with Iran. In concert with that approach, Obama Administration officials have not indicated support for military action should Iran continue to pursue its nuclear program—although that option has not been explicitly "taken off the table." No Administration official has publicly supported "regime change" in Iran to accomplish U.S. goals, even at the height of the election-related protests.

Some Obama Administration officials, including Secretary of State Clinton and Secretary of Defense Gates, well before the unrest in Iran, expressed public skepticism that engagement would yield changes in Iran's policies. Others, including Dennis Ross, who was named in late February 2009 as an adviser to Secretary of State Clinton for "Southwest Asia" (a formulation understood to center on Iran), and then assigned to a similar capacity in the White House in June 2009, believe that the United States and its partners need to present Iran with clearer incentives and clearer punishments if Iran continues to refuse cooperation on the nuclear issue.

## **Implementation of the Engagement Policy**

Prior to the June 12 election in Iran, the steps to engage Iran included:

- The message to the Iranian people by President Obama on the occasion of Nowruz (Persian New Year), March 21, 2009. Experts noted particularly the President's reference to "The Islamic Republic of Iran," a formulation that appears to suggest that the United States fully accepts the Islamic revolution in Iran and is not seeking "regime change."
- President Obama reportedly sent a letter to Iran's leadership expressing the Administration's philosophy in favor of engagement with Iran. (According to Iran's "Tabnak" website, which is close to the Revolutionary Guard, a second letter was sent to Iran in August 2009.)
- The major speech to the "Muslim World" in Cairo on June 4, 2009, in which President Obama said the United States had played a role in the overthrow of Mossadeq, and said that Iran had a right to peaceful nuclear power if it complies with its responsibilities under the NPT.
- The public invitation for Iran to attend the March 31, 2009, conference on Afghanistan in the Netherlands, discussed above.

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(...continued)

policy and objectives on Iran (and required the DNI to prepare a national intelligence estimate on Iran, which was released on December 3, 2007 as discussed above).



- The U.S. announcement on April 8 that it would attend all future P5+1 meetings with Iran, and suspension of seeking new P5+1 agreement on additional U.N. sanctions.
- The loosening of restrictions on U.S. diplomats to meet their Iranian counterparts at international meetings, and the message to U.S. embassies abroad that they can invite Iranian diplomats to upcoming celebrations of U.S. Independence Day. (The July 4 invitations did not get issued because of the Iran unrest.)
- On the other hand, President Obama issued a formal one year extension of the U.S. ban on trade and investment with Iran on March 15, 2009, (see “U.S. Ban on Trade and Investment with Iran,” below).

The election-related unrest in Iran did not, initially, alter the Administration’s commitment to engagement. As Iran has resisted nuclear compromise, and as democracy protests have grown, the Administration has begun to push for “crippling sanctions”—sanctions that bite into Iran’s civilian economy. In particular, as of January 2010, the Administration has formulated proposals to target the Revolutionary Guard for sanctions, in part as a symbol of support for the pro-democracy demonstrators, and perhaps also in recognition that it cannot obtain international agreement for crippling sanctions on Iran’s economy. The Administration continues to assert that it is open to further talks with Iran on the nuclear issue, but it appears to be lowering its expectations of a nuclear deal and shifting to greater support to the pro-democracy movement in Iran.

## **Enhanced U.S. Interests Section**

On specific future steps toward greater engagement, the George W. Bush Administration said in late 2008 that it would leave to the Obama Administration a decision on whether to staff the U.S. interests section in Tehran with U.S. personnel, who would mostly process Iranian visas and help facilitate U.S.-Iran people-to-people contacts. The current interests section is under the auspices of the Swiss Embassy. The Obama Administration appeared inclined toward that step as well but no decision has been announced, to date, and was likely delayed or derailed outright by the Iranian response to the postelection protests.

## **Engagement Efforts During the George W. Bush Administration**

Prior to 2008, the George W. Bush Administration directly engaged Iran on specific regional priority (Afghanistan and Iraq) and humanitarian issues. The United States had a dialogue with Iran on Iraq and Afghanistan from late 2001 until May 2003, when the United States broke off the talks following the May 12, 2003, terrorist bombing in Riyadh. At that time, the United States and Iran publicly acknowledged that they were conducting direct talks in Geneva on those two issues,<sup>50</sup> the first confirmed direct dialogue between the two countries since the 1979 revolution. The United States briefly resumed some contacts with Iran in December 2003 to coordinate U.S. aid to victims of the December 2003 earthquake in Bam, Iran, including a reported offer—rebuffed by Iran—to send a high-level delegation to Iran including Senator Elizabeth Dole and reportedly President George W. Bush’s sister, Dorothy.

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<sup>50</sup> Wright, Robin. “U.S. In ‘Useful’ Talks With Iran.” *Los Angeles Times*, May 13, 2003.

Prior to the July 2008 decision to have Undersecretary Burns attend the July 19, 2008, P5+1 nuclear negotiations with Iran, the George W. Bush Administration maintained it would join multilateral nuclear talks, or even potentially engage in direct bilateral talks, only if Iran suspended uranium enrichment. Some believe the Administration position was based on a view that offering to participate in a nuclear dialogue with Iran would later increase international support for sanctions by demonstrating U.S. willingness to negotiate.

The George W. Bush Administration did indicate that it considers Iran a great nation and respects its history; such themes were prominent in speeches by President George W. Bush such as at the Merchant Marine Academy on June 19, 2006, and his September 18, 2006, speech to the U.N. General Assembly. Then Secretary of State Rice said in January 2008 that the United States does not consider Iran a “permanent enemy.” An amendment by then Senator Biden (adopted June 2006) to the FY2007 defense authorization bill (P.L. 109-364) supported the Administration’s offer to join nuclear talks with Iran.

### **“Grand Bargain Concept”**

The George W. Bush Administration did not offer Iran an unconditional, direct U.S.-Iran bilateral dialogue on *all* issues of U.S. concern: nuclear issues, Iranian support of militant movements, involvement in Iraq, and related issues. Some argue that the issues that divide the United States and Iran cannot be segregated, and that the key to resolving the nuclear issue is striking a “grand bargain” on all outstanding issues. The Obama Administration outreach appears to suggest a willingness to consider such a comprehensive agreement, if such agreement could be reached.

Some say the George W. Bush Administration “missed an opportunity,” saying that U.S. officials rebuffed a reported comprehensive overture from Iran just before the May 12, 2003, Riyadh bombing, along the lines of a so-called “grand bargain.” The *Washington Post* reported on February 14, 2007 (“*2003 Memo Says Iranian Leaders Backed Talks*”), that the Swiss Ambassador to Iran in 2003, Tim Guldemann, had informed U.S. officials of a comprehensive Iranian proposal for talks with the United States. However, State Department officials and some European diplomats based in Tehran at that time question whether that proposal represented an authoritative Iranian communication. Others argue that the offer was unrealistic because an agreement would have required Iran to abandon key tenets of its Islamic revolution.

## **Containment and Possible Military Action**

The George W. Bush Administration consistently maintained that military action to delay or halt Iran’s nuclear program was an option that was “on the table.” The Obama Administration has not ruled this option out but has not indicated any inclination toward it. Secretary of Defense Gates said in interviews on September 27, 2009, that military action could only temporarily set back Iran’s program, not end it. Although some oppose most forms of military action against Iran, others fear that military action might be the only means of preventing Iran from acquiring a working nuclear device. A U.S. ground invasion to remove Iran’s regime has not, at any time, appeared to be under serious consideration in part because of the likely resistance an invasion would meet in Iran.

Proponents of U.S. air and missile strikes against suspected nuclear sites argue that military action could set back Iran’s nuclear program because there are only a limited number of key targets, and these targets are known to U.S. planners and vulnerable, even those that are hardened

or buried.<sup>51</sup> Estimates of the target set range from 400 nuclear and other WMD-related targets, to potentially a few thousand targets crucial to Iran's economy and military. Those who take an expansive view of the target set argue that the United States would need to reduce Iran's potential for retaliation by striking not only nuclear facilities but also Iran's conventional military, particularly its small ships and coastal missiles.

Still others argue that there are military options that do not involve air or missile strikes. Some say that a naval embargo or related embargo is possible that could pressure Iran into reconsidering its stand on the nuclear issue. Such action was "demanded" in H.Con.Res. 362. Others say that the imposition of a "no-fly zone" over Iran might also serve that purpose. Either action could still be considered acts of war, and could escalate into hostilities.

Most U.S. allies in Europe, not to mention Russia and China, oppose military action. These states tend to agree with experts who maintain that any benefits would be temporary, and are not justified by the risks. Some believe that a U.S. strike would cause the Iranian public to rally around Iran's regime, others say a strike would provoke a new regional war.

### **An Israeli Strike?**

Israeli officials view a nuclear armed Iran as an existential threat and have repeatedly refused to rule out the possibility that Israel might strike Iran's nuclear infrastructure. Speculation about this possibility increased in March and April 2009 with statements by Israeli Prime Minister Benjamin Netanyahu to *The Atlantic* magazine stating that "You don't want a messianic apocalyptic cult controlling atomic bombs," which generated testimony in Congress by CENTCOM commander General Petraeus indicating that Israel has become so frightened by a prospect of a nuclear Iran that it might decide to launch a strike on Iran's nuclear facilities. Adding to the prospects for this scenario, in mid-June 2008, Israeli officials confirmed reports that Israel had practiced a long range strike such as that which would be required. In 2008, the George W. Bush Administration reportedly strongly discouraged an Israeli plan to conduct such a strike, and it denied Israel's requests for certain equipment useful to that operation. The issue was again highlighted in comments on July 5, 2009, by Vice President Biden when he indicated Israel had the right, as a sovereign country, to decide when its own national security was threatened to the point where it felt military action was the only viable option. Several senior U.S. officials (Secretary of Defense Gates, and National Security Advisor James Jones) visited Israel in late July 2009 to express the view that the Obama Administration is committed to strict sanctions on Iran—with the implication that Israeli or U.S. military action should not be undertaken, at least as of this time.

Although Israeli strategists say this might be a viable option, several experts doubt that Israel has the capability to make such action sufficiently effective to justify the risks. U.S. military leaders are said by observers to believe that an Israeli strike would inevitably draw the United States into a conflict with Iran but without the degree of planning that would be needed for success.

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<sup>51</sup> For an extended discussion of U.S. air strike options on Iran, see Rogers, Paul. *Iran: Consequences Of a War*. Oxford Research Group, February 2006.

## **Iranian Retaliatory Scenarios<sup>52</sup>**

Some officials and experts warn that a U.S. military strike on Iran could provoke unconventional retaliation. At the very least, such conflict is likely to raise world oil prices significantly out of fear of an extended supply disruption. Others say such action would cause Iran to withdraw from the NPT and refuse any IAEA inspections. Other possibilities include firing missiles at Israel—and Iran’s July 2008 missile tests could have been intended to demonstrate this retaliatory capability—or directing Lebanese Hezbollah or Hamas to fire rockets at Israel. Iran could also try to direct anti-U.S. militias in Iraq and Afghanistan to attack U.S. troops.

Iran has developed a strategy for unconventional warfare that partly compensates for its conventional weakness. Then CENTCOM commander Gen. John Abizaid said in March 2006 that the Revolutionary Guard Navy, through its basing and force structure, is designed to give Iran a capability to “internationalize” a crisis in the Strait of Hormuz. On January 30, 2007, his replacement at CENTCOM, Admiral William Fallon, said that “Based on my read of their military hardware acquisitions and development of tactics ... [the Iranians] are posturing themselves with the capability to attempt to deny us the ability to operate in [the Strait of Hormuz].” (General David Petraeus became CENTCOM commander in September 2008.) In July 2008 Iran again claimed it could close the Strait in a crisis but the then commander of U.S. naval forces in the Gulf, Admiral Kevin Cosgriff, backed by Joint Chiefs Chairman Mullen, said U.S. forces could quickly reopen the waterway.

Iran has nonetheless tried to demonstrate that it is a capable force in the Gulf. Iran has conducted at least five major military exercises since August 2006, including exercises simultaneous with U.S. exercises in the Gulf in March 2007. Iran has repeatedly stated it is capable of closing the Strait of Hormuz and would do so, if attacked. In early 2007, Iranian ships were widening their patrols, coming ever closer to key Iraqi oil platforms in the Gulf. In February 2007, Iran seized 15 British sailors that Iran said were patrolling in Iran’s waters, although Britain says they were in Iraqi waters performing coalition-related searches. They were held until April 5, 2007. On January 6, 2008, the U.S. Navy reported a confrontation in which five IRGC Navy small boats approached three U.S. Navy ships to the point where they manned battle stations. The IRGC boats veered off before any shots were fired. In October 2008, Iran announced it is building several new naval bases along the southern coast, including at Jask, indicating enhanced capability to threaten the entry and exit to the Strait of Hormuz. In late November 2009, Iran seized and held for about one week a British civilian sailing vessel and its crew that Iran said had strayed into its waters.

A recent study published by the Office of Naval Intelligence says that Iran has developed new capabilities and tactics over the past few years, backed by new acquisitions, that could pose a threat to U.S. naval forces in the Gulf. If there were a conflict in the Gulf, some fear that Iran might try to use large numbers of boats to attack U.S. ships, or to lay mines, in the Strait. In April 2006, Iran conducted naval maneuvers, including test firings of what Iran claims are underwater torpedoes that can avoid detection, presumably for use against U.S. ships in the Gulf, and a surface-to-sea radar-evading missile launched from helicopters or combat aircraft. U.S. military officials said the claims might be an exaggeration. The Gulf states fear that Iran will fire coastal-

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<sup>52</sup> See also, Washington Institute for Near East Policy. *The Last Resort: Consequences of Preventive Military Action Against Iran*, by Patrick Clawson and Michael Eisenstadt. June 2008.

based cruise missiles at their oil loading or other installations across the Gulf, as happened during the Iran-Iraq war.

## **Containment and the Gulf Security Dialogue**

The Obama Administration is continuing the efforts of its predecessor to strengthen containment of Iran by enhancing the military capabilities of U.S. regional allies. The policy may have been enhanced somewhat in May 2009 when France inaugurated a small military base in UAE, its first in the region, and which was clearly a signal that France is committed to containing Iran.

An assertive military containment component of George W. Bush Administration policy was signaled in the January 10, 2007, Iraq “troop surge” statement by President George W. Bush. In that statement, he announced that the United States was sending a second U.S. aircraft carrier group into the Gulf,<sup>53</sup> extending deployment of Patriot anti-missile batteries in the Gulf, reportedly in Kuwait and Qatar, and increasing intelligence sharing with the Gulf states. Secretary of Defense Gates said at the time that he saw the U.S. buildup as building leverage against Iran that could bolster diplomacy.

The U.S. Gulf deployments built on a containment strategy inaugurated in mid-2006 by the State Department, primarily the Bureau of Political-Military Affairs (“Pol-Mil”). It was termed the “Gulf Security Dialogue” (GSD), and represented an effort to revive some of the U.S.-Gulf state defense cooperation that had begun during the Clinton Administration but had since languished as the United States focused on the post-September 11 wars in Afghanistan and Iraq.

One goal of the GSD is to boost Gulf state capabilities through new arms sales to the GCC states. The emphasis of the sales is to improve Gulf state missile defense capabilities, for example by sales of the upgraded Patriot Advanced Capability-3 (PAC-3),<sup>54</sup> as well as to improve border and maritime security equipment through sales of combat littoral ships, radar systems, and communications gear. Several GSD-inspired sales include PAC-3 sales to UAE and Kuwait, and Joint Direct Attack Munitions (JDAMs) to Saudi Arabia and UAE (notified to Congress in December 2007 and January 2008). A sale to UAE of the very advanced “THAAD” (Theater High Altitude Area Defense) has also been notified.

## **Presidential Authorities and Legislation**

A decision to take military action might raise the question of presidential authorities. In the 109<sup>th</sup> Congress, H.Con.Res. 391, introduced on April 26, 2006, called on the President to not initiate military action against Iran without first obtaining authorization from Congress. A similar bill, H.Con.Res. 33, was introduced in the 110<sup>th</sup> Congress. An amendment to H.R. 1585, the National Defense Authorization Act for FY2008, requiring authorization for force against Iran, was defeated 136 to 288. A provision that sought to bar the Administration from taking military action against Iran without congressional authorization was taken out of an early draft of an FY2007 supplemental appropriation (H.R. 1591) to fund additional costs for Iraq and Afghanistan combat (vetoed on May 1, 2007). Other provisions, including requiring briefings to Congress about

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<sup>53</sup> Shanker, Thom. “U.S. and Britain to Add Ships to Persian Gulf in Signal to Iran,” *New York Times*, December 21, 2006.

<sup>54</sup> “New Persian Gulf Security Effort Expected to Fuel Arms Sales in FY-07.” *Inside the Pentagon*, November 9, 2006.

military contingency planning related to Iran's nuclear program, is in the House-passed FY2009 defense authorization bill (H.R. 5658). In the 111<sup>th</sup> Congress, H.Con.Res. 94 calls for the United States to negotiate an "Incidents at Sea" agreement with Iran.

## **Regime Change**

A major early feature of George W. Bush Administration policy—promotion of "regime change"—receded in the latter stages of the Administration. The Obama Administration has clearly distanced itself from the prior Administration's attraction to this option, for example by explicitly referring to Iran by its formal name—"the Islamic Republic of Iran." Judging from statements by President Obama in December 2009 that seem to support pro-democracy demonstrators, there are indications that the Obama Administration might see the resiliency of the opposition as providing a realistic opportunity to change the regime.

There has been some support in the United States for regime change since the 1979 Islamic revolution; the United States provided some funding to anti-regime groups, mainly pro-monarchists, during the 1980s.<sup>55</sup> The George W. Bush Administration's belief in this option became apparent after the September 11, 2001, attacks, when President George W. Bush described Iran as part of an "axis of evil" in his January 2002 State of the Union message. President George W. Bush's second inaugural address (January 20, 2005) and his State of the Union messages of January 31, 2006, stated that "our nation hopes one day to be the closest of friends with a free and democratic Iran." Other indications of affinity for this option included increased public criticism of the regime's human rights record and the funding of Iranian pro-democracy activists. However, the George W. Bush Administration shifted away from this option as a strategy employing multilateral sanctions and diplomacy took form in 2006, in part because U.S. partners believe regime change policies harm diplomacy.

Although it was clearly hoping for opportunities to change the regime, the George W. Bush Administration said that the democracy promotion programs discussed below were intended to promote political evolution in Iran and change regime behavior, not to overthrow the regime. A few accounts, such as "*Preparing the Battlefield*" by Seymour Hersh in the *New Yorker* (July 7 and 14, 2008) say that President George W. Bush authorized U.S. covert operations to destabilize the regime,<sup>56</sup> involving assistance to some of the ethnic-based armed groups discussed above. CRS has no way to confirm assertions in the Hersh article that up to \$400 million was appropriated and/or used to aid the groups mentioned. In January 2009, Iran tried four Iranians on charges of trying to overthrow the government with U.S. support.

## **Democracy Promotion Efforts**

The George W. Bush Administration's efforts to promote democracy in Iran began in FY2004 and were supported by many in Congress. Clear congressional sentiment in favor of this effort came

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<sup>55</sup> CRS conversations with U.S. officials responsible for Iran policy. 1980-1990. After a period of suspension of such assistance, in 1995, the Clinton Administration accepted a House-Senate conference agreement to include \$18-\$20 million in funding authority for covert operations against Iran in the FY1996 Intelligence Authorization Act (H.R. 1655, P.L. 104-93), according to a *Washington Post* report of December 22, 1995. The Clinton Administration reportedly focused the covert aid on changing the regime's behavior, rather than its overthrow.

<sup>56</sup> Ross, Brian and Richard Esposito. Bush Authorizes New Covert Action Against Iran. [http://blogs.abcnews.com/theblotter/2007/05/bush\\_authorizes.html](http://blogs.abcnews.com/theblotter/2007/05/bush_authorizes.html).



in the 109<sup>th</sup> Congress with enactment of the Iran Freedom Support Act (P.L. 109-293, signed September 30, 2006, which authorized funds (no specific dollar amount) for Iran democracy promotion and modified the Iran Sanctions Act.<sup>57</sup>

The Obama Administration has not announced a discontinuation of the democracy promotion efforts, but has shifted toward working directly with Iranians inside Iran who are organized around certain issues such as health care, the environment, science, and like issues.<sup>58</sup> There is less emphasis than previously on sponsoring visits by Iranians to the United States.

Another part of the effort is broadcasting to Iran. As noted below, the Voice of America and Radio Free Europe/Radio Liberty have been expanding broadcasts to Iran of information about Iran and about the United States. The Department has also formed a Persian-language website. Some oppositionists have criticized these broadcasting services for covering longstanding exiled opposition groups such as supporters of the Shah's son, and downplaying some of the newer, emerging pro-democracy groups inside Iran.

Until the post-election unrest, many questioned the prospects of U.S.-led Iran regime change because of the weakness of opposition groups. Providing overt or covert support to anti-regime organizations, in the view of many experts, would not make them materially more viable or attractive to Iranians. Even before the post-election crackdown, Iran was arresting civil society activists by alleging they are accepting the U.S. democracy promotion funds, while others have refused to participate in U.S.-funded programs, fearing arrest.<sup>59</sup> In May 2007—Iranian-American scholar Haleh Esfandiari, of the Woodrow Wilson Center in Washington, DC, was imprisoned for several months, on the grounds that the Wilson Center was part of this effort. The Center has denied being part of the democracy promotion effort in Iran.

The State Department has been the implementer of U.S. democracy promotion programs. The Department has used funds in appropriations (see **Table 8** below) to support pro-democracy programs run by 26 organizations based in the United States in Europe; the Department refuses to name grantees for security reasons.

In 2006, the George W. Bush Administration also began increasing the presence of Persian-speaking U.S. diplomats in U.S. diplomatic missions around Iran, in part to help identify and facilitate Iranian participation in U.S. democracy-promotion programs. The Iran unit at the U.S. consulate in Dubai has been enlarged significantly into a “regional presence” office, and “Iran-watcher” positions have been added to U.S. diplomatic facilities in Baku, Azerbaijan; Istanbul, Turkey; Frankfurt, Germany; London; and Ashkabad, Turkmenistan, all of which have large expatriate Iranian populations and/or proximity to Iran.<sup>60</sup> An enlarged (eight person) “Office of

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<sup>57</sup> This legislation was a modification of H.R. 282, which passed the House on April 26, 2006, by a vote of 397-21, and S. 333, which was introduced in the Senate.

<sup>58</sup> CRS conversation with U.S. officials of the “Iran Office” of the U.S. Consulate in Dubai. October 2009.

<sup>59</sup> Three other Iranian Americans were arrested and accused by the Intelligence Ministry of actions contrary to national security in May 2007: U.S. funded broadcast (Radio Farda) journalist Parnaz Azima (who was not in jail but was not allowed to leave Iran); Kian Tajbacksh of the Open Society Institute funded by George Soros; and businessman and peace activist Ali Shakeri. Several congressional resolutions called on Iran to release Esfandiari (S.Res. 214 agreed to by the Senate on May 24; H.Res. 430, passed by the House on June 5; and S.Res. 199). All were released by October 2007. Tajbacksh was re-arrested in September 2009 and remains incarcerated.

<sup>60</sup> Stockman, Farah. “‘Long Struggle’ With Iran Seen Ahead.” *Boston Globe*, March 9, 2006.

Iran Affairs” has been formed at State Department, and it is reportedly engaged in contacts with U.S.-based exile groups such as those discussed earlier. Iran asserts that funding democracy promotion represents a violation of the 1981 “Algiers Accords” that settled the Iran hostage crisis and provide for non-interference in each others’ internal affairs.

## Funding

As shown below, \$67 million has been appropriated for Iran democracy promotion (\$19.6 million through DRL and \$48.6 million through the Bureau of Near Eastern Affairs/USAID). (Of these amounts, \$58 million has been obligated as of July 2009). Additional funds, discussed in the chart below, have been appropriated for cultural exchanges, public diplomacy, and broadcasting to Iran. The Obama Administration requested funds for Near East regional democracy programs in its FY2010 budget request, but no specific request for funds for Iran were delineated. This could be an indication that the new Administration views this effort as inconsistent with its belief in dialogue with Iran. No U.S. assistance has been provided to exile-run stations. (The conference report on the FY2006 regular foreign aid appropriations, P.L. 109-102, stated the sense of Congress that such support should be considered.)

**Table 8. Iran Democracy Promotion Funding**

FY2004	Foreign operations appropriation (P.L. 108-199) earmarked \$1.5 million for “educational, humanitarian and non-governmental organizations and individuals inside Iran to support the advancement of democracy and human rights in Iran.” The State Department Bureau of Democracy and Labor (DRL) gave \$1 million to a unit of Yale University, and \$500,000 to National Endowment for Democracy.
FY2005	\$3 million from FY2005 foreign aid appropriation (P.L. 108-447) for democracy promotion. Priority areas: political party development, media, labor rights, civil society promotion, and human rights.
FY2006	\$11.15 for democracy promotion from regular FY2006 foreign aid appropriation (P.L. 109-102). \$4.15 million administered by DRL and \$7 million for the Bureau of Near Eastern Affairs.
FY2006 supp.	Total of \$66.1 million (of \$75 million requested) from FY2006 supplemental (P.L. 109-234): \$20 million for democracy promotion (\$5 million above request); \$5 million for public diplomacy directed at the Iranian population (amount requested); \$5 million for cultural exchanges (amount requested); and \$36.1 million for Voice of America-TV and “Radio Farda” broadcasting (\$13.9 million less than request). Of all FY2006 funds, the State Department said on June 4, 2007, that \$16.05 million was obligated for democracy promotion programs, as was \$1.77 million for public diplomacy and \$2.22 million for cultural exchanges (bringing Iranian professionals and language teachers to the United States). Broadcasting funds provided through the Broadcasting Board of Governors; began under Radio Free Europe/Radio Liberty (RFE/RL), in partnership with the VOA, in October 1998. <i>Farda</i> (“Tomorrow” in Farsi) received \$14.7 million of FY2006 funds; now broadcasts 24 hours/day. VOA Persian services (radio and TV) combined cost about \$10 million per year. VOA-TV began on July 3, 2003, and now is broadcasting to Iran 12 hours a day. ( <i>Farda</i> began when Congress funded it at \$4 million in the FY1998 Commerce/State/Justice appropriation, P.L. 105-119. It was to be called Radio Free Iran but was never formally given that name by RFE/RL.)
FY2007	FY2007 continuing resolution provided \$6.55 million for Iran (and Syria) to be administered through DRL. \$3.04 million was used for Iran. No funds were requested.
FY2008	\$60 million (of \$75 million requested) is contained in Consolidated Appropriation (H.R. 2764, P.L. 110-161), of which, according to the conference report \$21.6 million is ESF for pro-democracy programs, including non-violent efforts to oppose Iran’s meddling in other countries. \$7.9 million is from a “Democracy Fund” for use by DRL. The Appropriation also fully funded additional \$33.6 million requested for Iran broadcasting: \$20 million for VOA Persian service; and \$8.1 million for Radio Farda; and \$5.5 million for exchanges with Iran.
FY2009	Request was for \$65 million in ESF “to support the aspirations of the Iranian people for a democratic and open society by promoting civil society, civic participation, media freedom, and freedom of information.” H.R. 1105 (P.L. 111-8) provides \$15 million for democracy promotion programs in Iran

FY2004	Foreign operations appropriation (P.L. 108-199) earmarked \$1.5 million for “educational, humanitarian and non-governmental organizations and individuals inside Iran to support the advancement of democracy and human rights in Iran.” The State Department Bureau of Democracy and Labor (DRL) gave \$1 million to a unit of Yale University, and \$500,000 to National Endowment for Democracy, and several other countries.
FY2010	No specific democracy promotion request, but some funds (out of \$40 million requested for Near East democracy programs) likely to fund continued human rights research and public diplomacy in Iran.

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## Further International and Multilateral Sanctions

There are a number of options available for additional U.N. or multilateral sanctions against Iran. U.S. officials have said that sanctions such as those below might also be considered by a “coalition” of countries, outside Security Council authorization. Such a coalition might include major U.S. allies in Europe, Asia, and the Middle East. U.S. allies tend to oppose the unilateral imposition by the United States of sanctions, especially when such sanctions seek to prevent European or other foreign companies from transacting business with Iran. Among the further U.N. or multilateral sanctions widely discussed (and some of these ideas are appearing in U.S. legislation to increase U.S. sanctions on Iran) are

- *Mandating Reductions in Diplomatic Exchanges with Iran or Prohibiting Travel by Iranian Officials.* As noted above, Resolution 1803 imposes a ban on travel by some named Iranian officials. One option is to further expand that list of Iranian officials. A further option is to limit sports or cultural exchanges with Iran, such as Iran’s participation in the World Cup soccer tournament. However, many experts oppose using sporting events to accomplish political goals.
- *Banning International Flights to and from Iran.* Bans on flights to and from Libya were imposed on that country in response to the finding that its agents were responsible for the December 21, 1988, bombing of Pan Am 103 (now lifted). There are no indications that a passenger aircraft flight ban is under consideration among the P5+1. As noted above, inspections of Iranian international cargo flights and shipping is authorized in Resolution 1803.
- *A Ban on Exports to Iran of Refined Oil Products or of Other Products.* This sanction appears to be under P5+1 and Security Council consideration because such a ban might seriously hurt Iran’s economy and thereby meet the definition of a “crippling” sanction. However, some members of the U.N. Security Council oppose this sanction as likely to halt prospects for a diplomatic solution to Iran’s nuclear program. Iran imports about 25%-40% of its gasoline needs due to a lack of domestic refining capacity. Some experts believe Iran would be able to circumvent this sanction by offering premium prices to suppliers willing to defy such a U.N. resolution or by raising prices to discourage consumption by Iranian drivers. A version of this option would prevent companies of U.N. member states from shipping to Iran parts or technology needed to construct oil refineries or related installations.
- *Financial and Trade Sanctions, Such as a Freeze on Iran’s Financial Assets Abroad.* Existing U.N. resolutions do not freeze all Iranian assets abroad, and such a broad freeze does not appear to be under Security Council consideration at

this time. However, what appears to be under consideration is an extensive, or possibly comprehensive, ban on financial transactions with Iranian banks. Fearing this possibility, Iran moved \$75 billion out of European banks in May 2008.

- *Limiting Lending to Iran by Banks or International Financial Institutions.* Another option is to ban lending to Iran by international financial institutions, or to mandate a reduction of official credit guarantees. British Prime Minister Brown indicated British support a limitation of official credits on November 12, 2007. As discussed below, EU countries and their banks have begun taking these steps, even without a specific U.N. mandate.
- *Banning Worldwide Investment in Iran's Energy Sector.* This option would represent an "internationalization" of the U.S. "Iran Sanctions Act," which is discussed in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman. On November 12, 2007, comments, British Prime Minister Brown expressed support for a worldwide financing of energy projects in Iran as a means of cutting off energy development in Iran, and British officials have told CRS in August 2009 that the British government continues to favor this option.
- *Banning Insurance for Iranian Shipping.* One option, reportedly under consideration by the P5+1, is to ban the provision of insurance, or re-insurance, for any shipping to Iran. Shipments of Iranian oil require insurance against losses from military action, accidents, or other causes. A broad ban on provision of such insurance could make it difficult for Iran to Islamic Republic of Iran Shipping Lines (IRISL) to operate and force Iran to rely on more expensive shipping options. Iran said in September 2008 that it would have ways to circumvent the effect of this sanction if it is imposed. (The United States has imposed sanctions on IRISL.)
- *Imposing a Worldwide Ban on Sales of Arms to Iran.* Resolution 1747 called for—but did not require—U.N. member states to exercise restraint in selling arms to Iran. A future resolution might mandate an arms sales ban. Another option under discussion is to eliminate the Resolution 1737 exemption from sanctions for the Bushehr nuclear reactor project.
- *Imposing an International Ban on Purchases of Iranian Oil or Other Trade.* This is widely considered the most sweeping of sanctions that might be imposed, and would be unlikely to be considered in the Security Council unless Iran was found actively developing an actual nuclear weapon. Virtually all U.S. allies conduct extensive trade with Iran, and would oppose sanctions on trade in civilian goods with Iran. A ban on oil purchases from Iran is unlikely to be imposed because of the potential to return world oil prices to the high levels of the summer of 2008.

## European/Japanese/Other Foreign Country Policy on Sanctions and Trade Agreements

U.S. allies supported the initial Obama Administration approach toward Iran more so than the George W. Bush Administration approach, which was perceived as primarily punitive. During 1992-1997, when the United States was tightening its own sanctions against Iran, the European Union (EU) countries maintained a policy of "critical dialogue" with Iran, and the EU and Japan refused to join the 1995 U.S. trade and investment ban on Iran. The European dialogue with Iran

was suspended in April 1997 in response to the German terrorism trial (“Mykonos trial”) that found high-level Iranian involvement in killing Iranian dissidents in Germany, but resumed in May 1998 during Khatemi’s presidency.

With Iran defiant on nuclear issues, the European countries, Japan, and other countries moved closer to the U.S. position since 2005. This trend has accelerated as Iran’s leaders have responded violently to the post-election protests. The EU is no longer negotiating new trade agreements and other economic interaction with Iran, but rather has begun to implement some sanctions that exceed those mandated in Security Council resolutions. For example, several EU countries are discouraging their companies from making any new investments in or soliciting any new business with Iran. In addition, several EU countries report that civilian trade with Iran is down because Iran’s defiance on the nuclear issue is introducing more perceived risk to trading with Iran. As noted above, some EU countries say they have reduced credit guarantee exposure to Iran since Resolution 1737 was passed, as shown in **Table 6** above. Previously, the EU countries and their banks maintained that financing for purely civilian goods is not banned by any U.N. resolution and that exporters of such goods should not be penalized.

Negotiations with Iran on a “Trade and Cooperation Agreement” (TCA) are not currently being held; such an agreement would have lowered the tariffs or increased quotas for Iranian exports to the EU countries.<sup>61</sup> Similarly, there is insufficient international support to grant Iran membership in the World Trade Organization (WTO) until there is progress on the nuclear issue. Iran first attempted to apply to join the WTO in July 1996. On 22 occasions after that, representatives of the Clinton and then the George W. Bush Administration blocked Iran from applying (applications must be by consensus of the 148 members). As discussed above, as part of an effort to assist the EU-3 nuclear talks with Iran, at a WTO meeting in May 2005, no opposition to Iran’s application was registered, and Iran formally began accession talks.

In the 1990s, European and Japanese creditors—over U.S. objections—rescheduled about \$16 billion in Iranian debt. These countries (governments and private creditors) rescheduled the debt bilaterally, in spite of Paris Club rules that call for multilateral rescheduling. Iran’s improved external debt led most European export credit agencies to restore insurance cover for exports to Iran. In July 2002, Iran tapped international capital markets for the first time since the Islamic revolution, selling \$500 million in bonds to European banks.

## **World Bank Loans**

The EU and Japan appear to have made new international lending to Iran contingent on Iran’s response to international nuclear demands. This represents a narrowing of past differences between the United States and its allies on this issue. Acting under provisions of successive foreign aid laws (which require the United States to vote against international loans to countries named by the United States as sponsors of international terrorism), in 1993 the United States voted its 16.5% share of the World Bank against loans to Iran of \$460 million for electricity,

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<sup>61</sup> During the active period of talks, which began in December 2002, there were working groups focused not only on the TCA terms and proliferation issues but also on Iran’s human rights record, Iran’s efforts to derail the Middle East peace process, Iranian-sponsored terrorism, counter-narcotics, refugees, migration issues, and the Iranian opposition PMOI.

health, and irrigation projects, but the loans were approved. To block that lending, the FY1994-FY1996 foreign aid appropriations (P.L. 103-87, P.L. 103-306, and P.L. 104-107) cut the amount appropriated for the U.S. contribution to the Bank by the amount of those loans. The legislation contributed to a temporary halt in new Bank lending to Iran.

During 1999-2005, Iran's moderating image had led the World Bank to consider new loans over U.S. opposition. In May 2000, the United States' allies outvoted the United States to approve \$232 million in loans for health and sewage projects. During April 2003-May 2005, a total of \$725 million in loans were approved for environmental management, housing reform, water and sanitation projects, and land management projects, in addition to \$400 million in loans for earthquake relief.

**Table 9. Selected Economic Indicators**

Economic Growth	6.4% (2008 est.)
Per Capita Income	\$13,100/yr purchasing power parity
GDP	\$842 billion purchasing power parity (2008)
Proven Oil Reserves	135 billion barrels (highest after Russia and Canada)
Oil Production/Exports	4.0 million barrels per day (mbd)/ 2.4 mbd exports. Exports could shrink to zero by 2015-2020 due to accelerating domestic consumption.
Major Oil/Gas Customers	China—300,00 barrels per day (bpd); about 4% of China's oil imports; Japan—600,000 bpd, about 12% of oil imports; other Asia (mainly South Korea)—450,000 bpd; Italy—300,000 bpd; France—210,000 bpd; Netherlands 40,000 bpd; other Europe—200,000 bpd; India—150,000 bpd (10% of its oil imports; Africa—200,000 bpd. Turkey—gas: 8.6 billion cubic meters/yr
Refined Gasoline Import/ Suppliers	Imports were \$5 billion value per year in 2006, but now about \$4 billion per year after rationing. Traders and suppliers include Vitol (Switzerland), which supplies about 30% of Iran's gasoline; Total (France); Trafigura (Switzerland/Netherlands); Reliance Energy (India, Jamnagar refinery); Russia's Lukoil; Kuwait, UAE, Turkey, Venezuela (Petroleos de Venezuela), Singapore, the Netherlands, China, Turkmenistan, and Azerbaijan. Iran planning at least eight new or upgrade refinery projects to expand capacity to about 3 million barrels per day from 1.5 mbd.
Major Export Markets (2006)	Japan (\$9.9 billion); China (\$9.2 billion); Turkey (\$5.1 billion); Italy (\$4.45 billion); South Korea (\$4 billion); Netherlands (\$3.2 billion); France (\$2.7 billion); South Africa (\$2.7 billion); Spain (\$2.3 billion); Greece (\$2 billion)
Major Imports (2006)	Germany (\$5.6 billion); China (\$5 billion); UAE (\$4 billion); S. Korea (\$2.9 billion); France (\$2.6 billion); Italy (\$2.5 billion); Russia (\$1.7 billion); India (\$1.6 billion); Brazil (\$1.3 billion); Japan (\$1.3 billion).
Major Non-Oil Investments	Renault (France) and Mercedes (Germany)—automobile production in Karaj, Iran—valued at \$370 million; Renault (France), Peugeot (France) and Volkswagen (Germany)—auto parts production; Turkey—Tehran airport, hotels; China—shipbuilding on Qeshm Island, aluminum factory in Shirvan, cement plant in Hamadan; UAE financing Esfahan Steel Company; India—steel plant, petrochemical plant; S. Korea—steel plant in Kerman Province; S. Korea and Germany—\$1.7 billion to expand Esfahan refinery.
Trade With U.S. (2008)	\$785 million (trade is severely restricted by U.S. sanctions). Exports to U.S.—\$102 million (pomegranate juice, caviar, pistachio nuts, carpets, medicines, artwork). Imports from U.S.—\$683 million (wheat: \$535 million; medicines, tobacco products, seeds).
"Oil Stabilization Fund" Reserves	\$12.1 billion (August 2008, IMF estimate). Mid-2009 estimates by experts say it may have now been reduced to nearly zero.
External Debt	\$19 billion (2007 est.)



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Economic Growth	6.4% (2008 est.)
Development Assistance Received	2003 (latest available): \$136 million grant aid. Biggest donors: Germany (\$38 million); Japan (\$17 million); France (\$9 million).
Inflation	15% + (May 2009), according to Iranian officials.
Unemployment Rate	11%+

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**Source:** CIA World Factbook, various press, IMF, Iran Trade Planning Division, press, CRS conversations with experts and foreign diplomats.

## U.S. Sanctions

Any additional international or U.S. sanctions would add to the wide range of U.S. sanctions in place since the November 4, 1979, seizure of the U.S. hostages in Tehran.<sup>62</sup> Some experts believe that, even before U.S. allies had begun to impose some sanctions on Iran, U.S. sanctions alone were slowing Iran's economy.<sup>63</sup> However, the Obama Administration is said to oppose new U.S. unilateral sanctions because of their potential to offend U.S. allies whose companies would be the likely targets of such sanctions, although some Administration officials believe that the threat of new U.S. sanctions gives the Administration added leverage with Iran. Supporters of some new U.S. sanctions believe that allied firms should be compelled to choose between business with Iran and business with the United States.

As expected, there have been congressional efforts to push forward on proposed sanctions legislation because Iran has not agreed to implement the October 1, 2009, tentative nuclear agreement discussed above. The U.S. sanctions below are discussed in far greater depth in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

## Terrorism/Foreign Aid Sanctions

Several U.S. sanctions are in effect as a result of Iran's presence on the U.S. "terrorism list." The list was established by Section 6(j) of the Export Administration Act of 1979, sanctioning countries determined to have provided repeated support for acts of international terrorism. Sanctions imposed as a consequence include a ban on U.S. foreign aid to Iran; restrictions on U.S. exports to Iran of dual use items; and requires the United States to vote against international loans to Iran.

The separate, but related, Executive Order 13224 (September 23, 2001) authorizes the President to freeze the assets of and bar U.S. transactions with entities determined to be supporting international terrorism.

## Proliferation Sanctions

Iran is prevented from receiving advanced technology from the United States under relevant and Iran-specific anti-proliferation laws<sup>64</sup> and by Executive Order 13382 (June 28, 2005). The laws

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<sup>62</sup> On November 14, 1979, President Carter declared a national emergency with respect to Iran, renewed every year since 1979.

<sup>63</sup> "The Fight Over Letting Foreigners Into Iran's Oilfields." *The Economist*, July 14, 2001.

<sup>64</sup> Such laws include the Atomic Energy Act of 1954 and the Energy Policy Act of 2005 (P.L. 109-58).

include The Iran-Iraq Arms Nonproliferation Act (P.L. 102-484), and The Iran Nonproliferation Act (P.L. 106-178, now called the Iran-Syria-North Korea Non-Proliferation Act). These sanctions impose penalties on foreign firms that sell equipment to or assist Iran's WMD programs.

### **Targeted Financial Measures by Treasury Department**

U.S. officials, particularly Undersecretary of the Treasury Stuart Levey (who has remained in the Obama Administration), say the United States is having substantial success in separate unilateral efforts ("targeted financial measures") to persuade European governments and companies to stop financing commerce with Iran on the grounds that doing so entails financial risk and furthers terrorism and proliferation.

### **U.S. Ban on Trade and Investment with Iran**

On May 6, 1995, President Clinton issued Executive Order 12959 banning U.S. trade and investment in Iran.<sup>65</sup> This followed an earlier March 1995 executive order barring U.S. investment in Iran's energy sector. The provisions of the trade and investment ban, exemptions, and the debate over its application to foreign subsidiaries are discussed in substantial depth in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

### **The Iran Sanctions Act (ISA)**

The Iran Sanctions Act penalizes foreign (or U.S.) investment of more than \$20 million in one year in Iran's energy sector.<sup>66</sup> No projects have actually been sanctioned under ISA, and numerous investment agreements with Iran since its enactment have helped Iran slow deterioration of its energy export sector. This Act is discussed in substantial depth in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman, which contains a chart on foreign energy investments in Iran, and discusses pending legislation to expand ISA's authorities to include sanctions on companies that sell gasoline to Iran. This report contains extended discussion of several major pieces of legislation, including the House-passed H.R. 2194, and the "Dodd-Shelby Comprehensive Iran Sanctions, Accountability, and Divestment Act" (S. 2799). Both bills would expand the authorities of ISA to authorize sanctions against companies that sell gasoline or refinery-related equipment or services to Iran. The Dodd-Shelby bill has numerous provisions beyond that, including a broad ban on imports from Iran; freezing the assets of Revolutionary Guard Corps officials; authorizing divestment (see below); and prohibiting U.S. government procurement from firms that do business in Iran's energy sector or sell equipment that Iran could use to monitor or jam the Internet.

### **Divestment**

A growing trend not only in Congress but in several states is to require or call for or require divestment of shares of firms that have invested in Iran's energy sector (at the same levels

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<sup>65</sup> An August 1997 amendment to the trade ban (Executive Order 13059) prevented U.S. companies from knowingly exporting goods to a third country for incorporation into products destined for Iran.

<sup>66</sup> Originally called the Iran-Libya Sanctions Act, or ILSA; P.L. 104-172, August 5, 1996. It was renewed by P.L. 107-24, August 3, 2001; renewed again for two months by P.L. 109-267; and renewed and amended by P.L. 109-293.

considered sanctionable under the Iran Sanctions Act).<sup>67</sup> For a discussion of pending legislation on this issue, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

## **Counter-Narcotics**

In February 1987, Iran was first designated as a state that failed to cooperate with U.S. anti-drug efforts or take adequate steps to control narcotics production or trafficking. U.S. and U.N. Drug Control Program (UNDCP) assessments of drug production in Iran prompted the Clinton Administration, on December 7, 1998, to remove Iran from the U.S. list of major drug producing countries. This exempts Iran from the annual certification process that kept drug-related U.S. sanctions in place on Iran. According to several governments, over the past few years Iran has augmented security on its border with Afghanistan in part to prevent the flow of narcotics from that country into Iran. Britain has sold Iran some night vision equipment and body armor for the counter-narcotics fight.

## **Travel-Related Guidance**

Use of U.S. passports for travel to Iran is permitted. Iranians entering the United States are required to be fingerprinted, and Iran has imposed reciprocal requirements. In May 2007, the State Department increased its warnings about U.S. travel to Iran, based largely on the arrests of the dual Iranian-American nationals discussed earlier.

## **Status of Some U.S.-Iran Assets Disputes**

Iranian leaders continue to assert that the United States is holding Iranian assets, and that this is an impediment to improved relations. This is discussed in CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

## **Conclusion**

Mistrust between the United States and Iran's Islamic regime has run deep for almost three decades. Many argue that a wholesale replacement of the current regime would produce major strategic benefits for the United States, including a dramatic lessening of concerns about Iran's nuclear program, and an end to Iran's effort to obstruct a broad Arab-Israeli peace.

Others argue that many Iranians are united on major national security issues and that a new regime would not necessarily align with the United States. Some believe that many Iranians fear that alignment with the United States would produce a degree of U.S. control and infuse Iran with Western culture that many Iranians find un-Islamic and objectionable.

Others say that, now matter who is in power in Tehran, the United States and Iran have a common long-term interest in stability in the Persian Gulf and South Asia regions in the aftermath of the defeat of the Taliban and the regime of Saddam Hussein. According to this view, major diplomatic overtures toward the regime, if it survives the unrest, might yield fruit.

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<sup>67</sup> For information on the steps taken by individual states, see National Conference of State Legislatures. State Divestment Legislation.

Figure 1. Structure of the Iranian Government

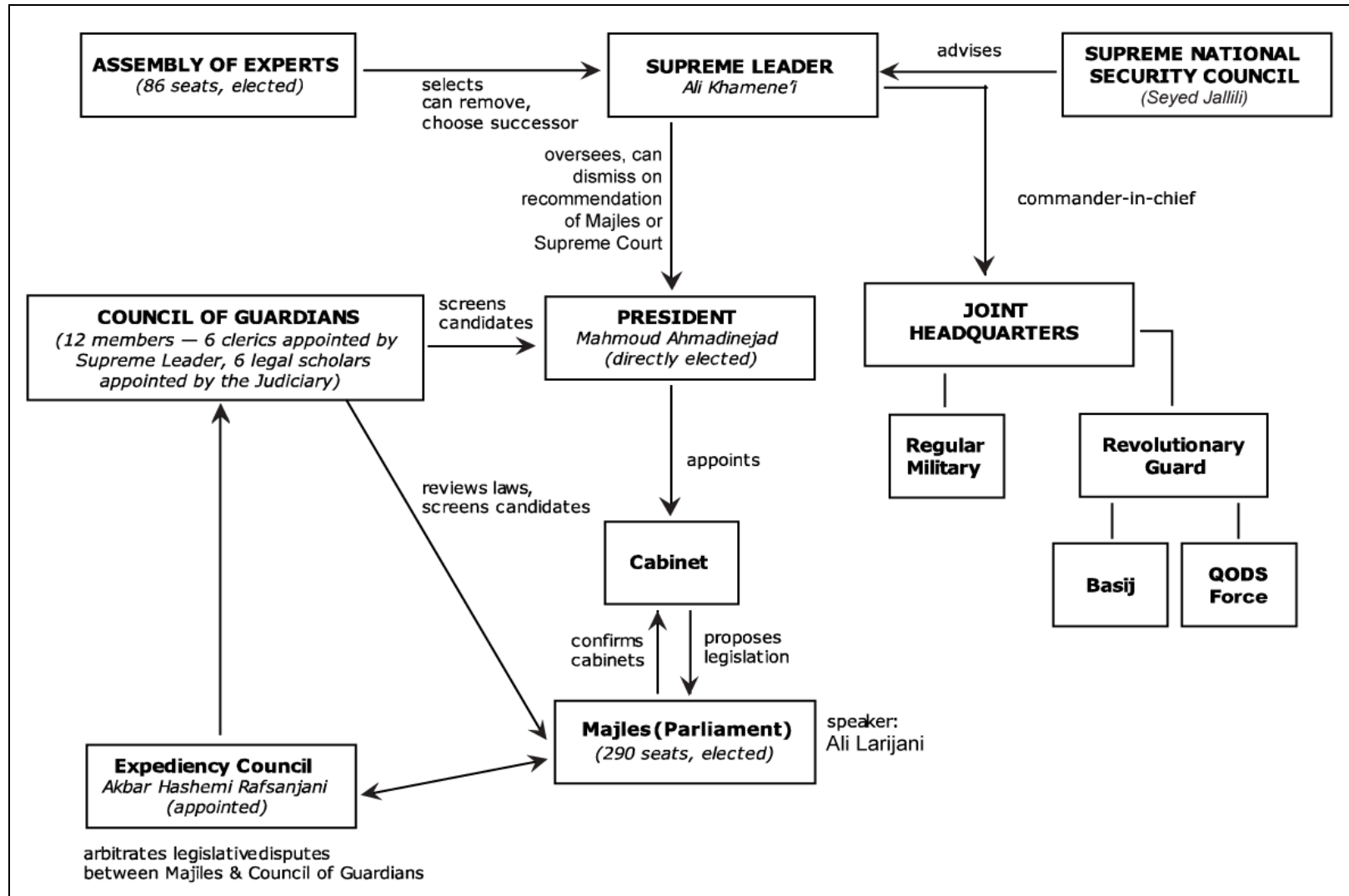


Figure 2. Map of Iran



Source: Map Resources. Adapted by CRS (April 2005).

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